

Stock Code: 3081



LandMark Optoelectronics Corporation  
2020 Annual Report

Printed Date: March 31, 2021

Market Observation Post System: <http://mops.twse.com.tw>

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

**A. Name, title, phone number and email of spokesperson and acting spokesperson**

Spokesperson: Jerry Yang

Acting spokesperson: Belinda Wu

Title: CFO

Title: Manager, Finance Department

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**B. Location and phone number of Headquarter, branch offices and factories**

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Tel.: (06) 505-8999

Address of the factory No. 2:

No. 9, Xishan 1st Rd., Shanhua Dist., Tainan City, Taiwan

**C. Name, location, website and phone of share-transferring institution**

Name: Hua Nan Securities Co., Ltd Transfer Agency Department

Address:

4F., No.54, Sec. 4, Minsheng E. Rd., Songshan Dist., Taipei City, Taiwan

Website: <http://agency.entrust.com.tw/>

Tel.: (02) 2718-6425

**D. Name of the certified public accountant who duly audited the annual financial report for the most recent fiscal year, and the name, location, website and telephone number of said person's accounting firm.**

Name of the accountant: Yen-Da Su and Chen-Lung Hsu

Name of the accounting firm: KPMG Taiwan

Address: 68F., No.7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City, Taiwan

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

Tel.: (02) 8101-6666

**E. Name of overseas stock exchange and method for accessing information on overseas negotiable securities: None.**

**F. Company website: <http://www.lmoc.com.tw>**



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## Appendix I. Financial Statements and Independent Auditors' Report

## I. Letter to Shareholders

Dear Shareholders,

COVID-19 has spread around the world, severely affecting the economies of many countries. In addition, the US-China technology trade war remains unresolved. Although LandMark has been facing severe challenges, our colleagues continue to make unremitting efforts in the areas of technology development, manufacturing capacity expansion, operational efficiency improvement, and customer development. The Company's telecom-related products enjoy favorable outcomes as a result of the new investment cycle around the globe to deploy 5G telecom base stations. In particular, China's "5G New Infrastructure" plan has supported telecom operators in accelerating the construction of 5G infrastructure. With the derived demand for optical communication components and expansion of manufacturing capacity, LandMark achieved substantial revenue and gross profit growths in 2020.

### **2020 Operating Report**

The Company's operating revenue in 2020 was NT\$2.309 billion, 8% growth YoY. The net profit was NT\$708 million, indicating a 33% increase compared to last year. The net profit after tax was NT\$591 million, with a growth of 31% from the previous year. The after-tax earnings per share was NT\$ 6.5, with a 31% increase from the previous year.

#### 1. Business outcomes in current and previous years:

Unit: NT\$ in Thousands				
Item		2020	2019	Change(%)
Operating Results	Operating Revenue	2,309,089	2,136,270	8%
	Gross Profit	1,164,478	1,027,307	13%
	Net Profit	708,151	534,006	33%
	Net Profit after tax	590,736	450,150	31%
Profitability	ROA (%)	11.85%	9.78%	21%
	ROE (%)	14.04%	11.12%	26%
	Operating Income/Capital (%)	77.50%	58.71%	32%
	Pretax Income/Capital (%)	78.10%	59.22%	32%
	Net Profit Margin (%)	25.58%	21.07%	21%
	EPS (NT\$)	6.50	4.97	31%

#### 2. R&D progress

In 2020, the R&D expenditure was NT\$ 274 million, focusing on the development of epitaxial products for high speed devices over 25G/50G, data centers and 5G applications.

## **Operational Strategies**

### **I. Leading edge technology**

The Company has been committed to the research and development of laser epitaxy products for optical communication and data center applications. Its technical capabilities are well recognized by clients. In recent years, the Company has also developed VCSEL epi-wafers applied to LiDAR for autonomous driving vehicles, 3D sensing components for consumer electronic products, medical sensing components, and other applications. The Company strives to maintain its leading position in the field of optical communications and its momentum to achieve the long-term growth.

### **II. The advantage of mass production capability**

Over the years, the Company has catered to clients' orders with various requirements and different specifications by establishing standard operating procedures. We are capable of reducing lead time of production and dynamically adapting to clients' needs of different order sizes through our flexible and efficient production management. In addition, our new plant has officially begun operations. It is our plan to continue investing in more manufacturing equipment to meet the market's surging demand for high-end laser chips. A large-scale production capacity will be achieved as one of our competitive advantage.

### **III. Integrating manufacturing processes**

The Company continues to optimize its manufacturing process to improve capacity utilization rate. We pursue excellence in quality control, production yield, and production scheduling. At the same time, we have introduced a new SPC system to monitor production processes, control variations as well as conduct abnormal analysis in order to provide high quality products. To meet customers' demand for high-quality components of optical communication high-speed transmission, the Company has implemented various FEOL processes and multiple epitaxial growth technologies, along with the cooperation with outsourcing partners to provide a full chip manufacturing service.

### **IV. Alliance with clients**

We consider making continuous improvement on our services as the Company's main goal. We will continue to collaborate with customers in developing products applied in high-speed laser components as well as industrial, 3D sensor and other applications. We endeavor to provide high-quality and competitive products and keep working on enhancing flexibility and efficiency of product delivery. We hope to help customers to expand their market share and grow together with them.

## **Effects of external competition, laws & regulations, and overall business environment**

Since 2020, companies around the globe have encountered multiple challenges such as threat of the pandemic, economic recession, the US-China trade war, and climate change. These difficulties are a test to the management team's ability to adapt to risks and uncertainties. Given the industry's competitive environment, optical communication products are experiencing shorter upgrade cycle than in the past. With a strong financial position and advantages in manufacturing technology, the Company can dedicate to the development of high-end products as well as new products for various applications. We have also devoted a lot of effort to improve production efficiency, strengthen management of resources, talents and technologies in anticipation of shaping a more resilient business model in the face of various challenges.

Since governments and authorities in many countries are paying more and more attention to the environment, society, and corporate governance (ESG), stakeholders such as customers and investors have higher expectations on the Company's ability to take actions relevant to ESG. The Company has incorporated ESG initiatives into its main goal of sustaining corporate operations. While striving for better operational performance, the Company has also taken into account other important aspects for comprehensive development. We have established a "Corporate Sustainability and Nomination Committee" to assist the Board of Directors in realizing corporate social responsibility and accomplishing sustainable development goals. We were also recognized among the top 5% TPEX-listed Companies with respect to Corporate Governance Evaluation for two consecutive years (2018 and 2019); this could be attributed to the management team's commitment to implementing corporate governance measures. We promise to continue achieving our corporate social responsibility goals with concrete measures, and to consistently improve corporate governance.

At present, we are still uncertain whether the pandemic can be effectively contained. However, the pandemic has led to a significant increase in demand for remote work, online learning, streaming services and other at-home activities, which boosted the upgrade of data centers and telecom operators' network equipment. Also, the demand for 5G connection in mobile communications continues to grow, helping the Company achieve its goal of profit growth.

Lastly, on behalf of the Company's management and staff, we would like to express our sincere gratitude to all shareholders for your long-term support. We look forward to all shareholders' continuous support and valuable comments.

Chairman: *Ching-Yi Chang*

General Manager: *Roger Lo*

CFO: *Jerry Yang*

## II. Company Profile

i. Date of Establishment: June 2, 1997

ii. Company History

(I.) Merger and acquisition activities, investments in affiliated enterprises, and corporate reorganization in the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report: None.

(II.) Instances in which a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than 10 percent stake in the company is transferred or otherwise changes hands in the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report: None.

(III.) Any changes in managerial control, material change in operating methods or type of business, and any other matters if material significance that could affect shareholders' equity: None.

(IV.) Important information in the previous years and in the current fiscal year as up to the date of publication of the annual report:

1997/06	LandMark Optoelectronics Corporation was founded with the capital of 60 million NT dollar.
1998/11	The new factory in Yong Kang District, Tainan, was launched.
1999/03	The LD and PD epitaxy products for optical communication received the customer quality recognition.
1999/07	The Yong Kang factory was certified by the ISO 9001 management system.
1999/10	GaAs / InGaP PD epitaxy products received quality certification from the customers.
2000/07	Yong Kang factory was certified by the ISO 14001 management system.
2003/01	The company developed the 850 nm VCSEL epitaxy.
2003/06	The company was designated to conduct the "research on GaN materials and elements with silicon base plant, "which is part of the plan for industrial technique development and talents cultivation subsidized by Ministry of Science and Technology.
2003/10	The company's "Research on 10Gbps Optical Transponder Module and related high-speed elements" was granted the subsidy from Industrial Technology Development Program of the Ministry of Economic Affairs.
2003/10	The factory in Yong Kang District was certified to the ISO9001:2000 quality standard.
2004/02	The company was designated by the Industrial Technology Research Institute to conduct the research project "Technology for regrowth of high-power LD epitaxy."
2006/07	The company's "study on developing epitaxy for Quantum-Well Infrared Photodetectors by Metal Organic Chemical Vapor Phase Deposition" was granted the subsidy from Small Business Innovation Research of the Ministry of Economic Affairs.
2006/10	The company completed the development of PIN and the pre-emptive production stage of BH-LD in lithography Laboratory.
2007/04	The company developed the high-efficiency solar epitaxy for Triple-junction Solar Cell.
2008/01	The company carried out the merger of TaiJe Optoelectronic Co., Ltd. which lead to an additional capital stock of 70,010 thousand NT dollars. The paid-in capital amounted to 304,068 thousand NT dollars.

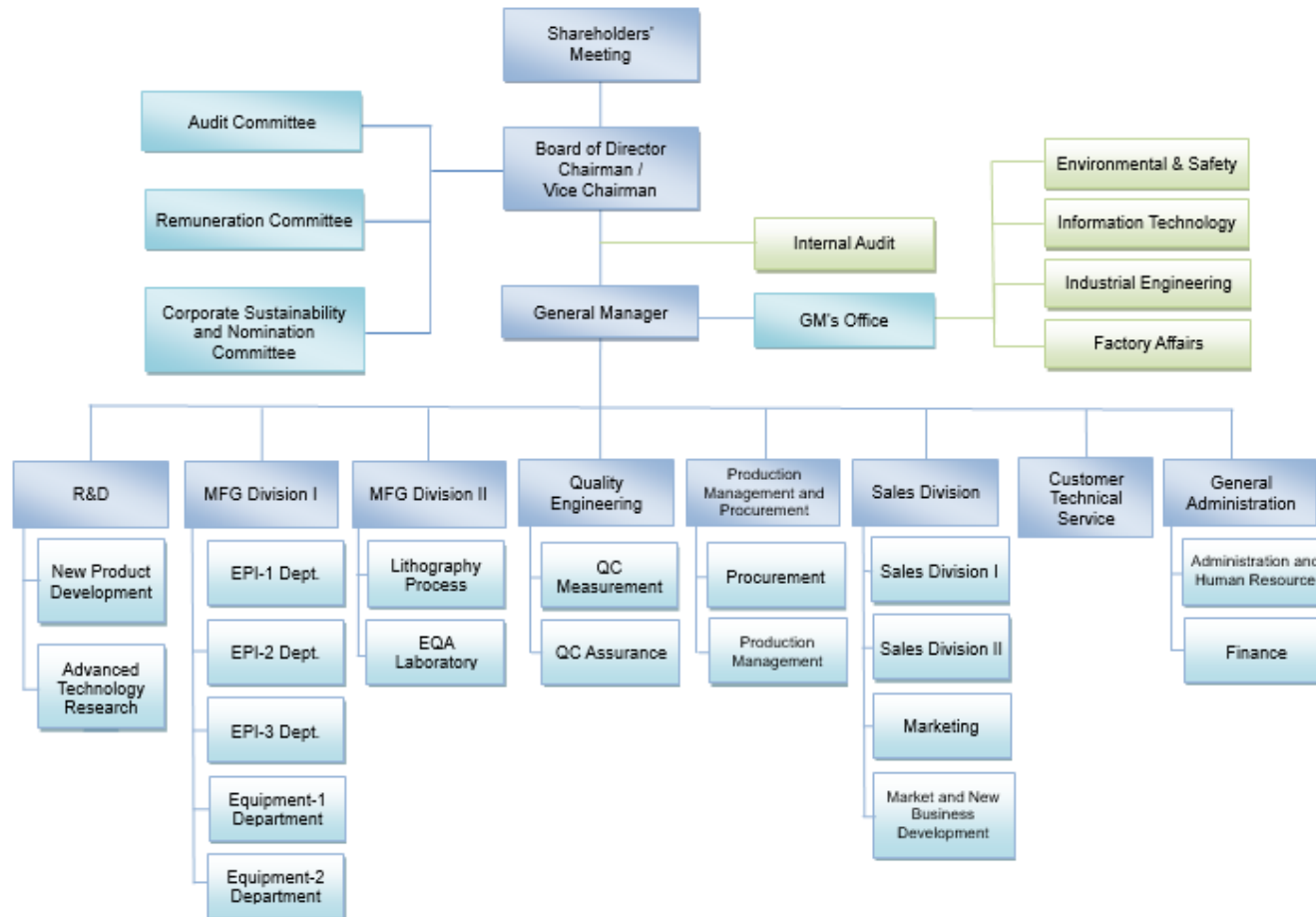


2009/01	The Completed DFB &BH epitaxy was in mass production.
2010/07	The company invested to establish a new factory in Southern Taiwan Science Park.
2011/12	The new factory in Southern Taiwan Science Park was launched. The company moved to the new location. (No. 12, Nanke 9th Rd., Shanhua Dist., Tainan City, Taiwan, R.O.C.)
2012/07	The Southern Taiwan Science Park was certified by the ISO 9001 and ISO 14001 management system.
2014/03	The company carried out the initial public offering.
2014/05	The company established the Audit Committee and Remuneration Committee.
2014/07	The company was registered to be a listed company at over-the-counter market at Taipei exchange.
2015/07	The company was registered to offer over-the-counter stock at Taipei Exchange.
2016/09	The company issued restricted stock awards of 3,750 thousand NT dollars. The paid-in capital amounted to 912,577 thousand NT dollar.
2018/07	The construction project of the second factory (in Southern Taiwan Science Park) was launched.
2018/09	The company issued restricted stock awards of 4,080 thousand NT dollar. The capital increase amounted to 909,802 thousand NT dollar.
2019/04	The company was acknowledged as one of top 5% publicly listed companies in the Corporate Governance Evaluation.
2019/05	The company was certified by the IECQ 080000 : 2017 system for management of hazardous substances.
2019/11	The second factory (in Southern Taiwan Science Park) started operating.
2019/12	The Corporate Sustainability Committee was established.
2020/03	Awarded as Top 10 Photonics Technology Companies in APAC 2020 by CIO Advisor APAC Magazine.
2020/04	The company was acknowledged as one of top 5% in 2019 Corporate Governance Evaluation among TPEx-listed Companies and top 10% among Listed Electronics Companies with Market Value of 10 Billion TWD or More.
2020/09	The company issued restricted stock awards of 4,420 thousand NT dollar. The capital increase amounted to 913,732 thousand NT dollar.
2020/09	The company obtained IATF16949 Automotive Quality Management System Certificate.

### III. Corporate Governance

#### i. Organization

##### A. Organizational Chart



## B. Business operations of major departments

Department	Business operations
Internal Audit	<ol style="list-style-type: none"> <li>1. To make plans for audit works, to amend and audit the system for internal audit and internal control, and to provide implementation report.</li> <li>2. To collect, maintain, and process the data needed for audit.</li> <li>3. To inspect the implementation of the business and finance budget for in each sector and to offer advice.</li> <li>4. To investigate and evaluate operation of corporate internal control system.</li> </ol>
Environmental & Safety	<ol style="list-style-type: none"> <li>1. To manage the corporate waste and prevention of air pollution.</li> <li>2. To inspect waste water of the company before emission.</li> <li>3. To maintain and monitor each public safety facility.</li> <li>4. To establish and implement system for public safety and environmental safety.</li> </ol>
Information Technology	<ol style="list-style-type: none"> <li>1. To plan and carry out fundamental maintenance of Internet and hardware facilities.</li> <li>2. To plan and implement system software.</li> <li>3. To periodically backup and maintain database.</li> </ol>
Industrial Engineering	<ol style="list-style-type: none"> <li>1. To estimate, evaluate and manage manufacturing cost</li> <li>2. To evaluate and plan short, middle and long-term production capacity.</li> <li>3. To analyze evaluate the efficiency of production facilities in order to produce the best result of factory production facilities.</li> <li>4. To optimize the manpower of production line and facility operation by data.</li> </ol>
Factory Affairs	<ol style="list-style-type: none"> <li>1. To maintain the operation of factory facility system (water affairs, electricity, gas and air conditioners)</li> <li>2. To check the factory affair system and handle and avoid emergency.</li> <li>3. To manage the factory affair system and record standard operation production.</li> </ol>
R&D	<ol style="list-style-type: none"> <li>1. To design and develop products; to evaluate the specification designated by clients.</li> <li>2. To cooperate with the manufacturing sector to research on new techniques or new products and conduct new researches.</li> <li>3. To offer technical support for customer complaint and assistance for abnormality analysis.</li> </ol>
MFG Division I	<ol style="list-style-type: none"> <li>1. To implement the epitaxy production plan and keep up with the schedule.</li> <li>2. To maintain and repair production facilities.</li> <li>3. To manage the storage and check the inventory of epitaxy products.</li> <li>4. To establish standard operation procedure of epitaxy.</li> <li>5. To make epitaxy production schedule and carry out production allocation.</li> </ol>
MFG Division II	<ol style="list-style-type: none"> <li>1. To carry out production plans of lithography and EQA scheme and monitor the progress.</li> <li>2. To maintain and repair the manufacturing facilities of lithography and EQA scheme.</li> <li>3. To establish standard operation procedure of production facilities for lithography and EQA scheme.</li> </ol>
Quality Engineering	<ol style="list-style-type: none"> <li>1. To manage the suppliers and control the quality of ingredients.</li> <li>2. To establish client service platform and offer technical assistance.</li> <li>3. To promote quality control (quality management system) and ensure high quality production.</li> <li>4. To improve quality projects, implement SPC, to improve yield rate, to alter engineering procedure.</li> <li>5. To censor the design, to evaluate quality of the products in inventory.</li> </ol>

	<ol style="list-style-type: none"> <li>To integrate data from product inspection and data from test.</li> <li>To carry out quality management.</li> <li>To plan, maintain, and manage the company's document control system (including the record control).</li> <li>To establish and censor the standard format of corporate documents.</li> <li>To issue, assure, and nullify the corporate documents.</li> <li>To audit whether the use of document from different sectors fulfill the requirement of quality, environment, and RBA management systems.</li> </ol>
Production Management & Procurement	<ol style="list-style-type: none"> <li>To carry out procurement of machine and equipment, raw materials, and other necessary items for production.</li> <li>To compile operations manual (regulations) for procurement, transportation, storage, packing, and delivery.</li> <li>To establish guidelines for managing raw material warehousing and operational procedure. To ensure storage management persons can understand and exercise proper management of raw materials for manufacturing.</li> <li>To ensure the quality of raw material and products in storage and in transportation.</li> <li>To manage the subcontractor.</li> <li>To manage manufacturing schedule of Manufacturing Department A and Manufacturing Department B.</li> <li>To coordinate production capacity required by RD.</li> </ol>
Sales	<ol style="list-style-type: none"> <li>To coordinate and manage affairs of product marketing.</li> <li>To communicate with clients, including responding to and tracking customer complaints.</li> <li>To maintain customer loyalty and expand customer pool. To establish database of marketing information.</li> <li>To confirm with clients about requirement in contracts or orders.</li> <li>To ensure censor of matters in the contracts or order is properly completed.</li> <li>To establish the company's operational policy.</li> <li>To compile the annual budget.</li> <li>To develop customer service and marketing strategies.</li> <li>To promote new products and technical service.</li> </ol>
Customer Technical Service	<ol style="list-style-type: none"> <li>To conduct marketing research and establish the data base.</li> <li>To offer technical consultancy service to customers and track the projects in response to customer complaints.</li> </ol>
General Administration	<ol style="list-style-type: none"> <li>To establish guidelines of each sector and conduct follow-up of the project.</li> <li>To carry out affairs of human resource, administrative affairs, and general affairs.</li> <li>To deal with general affairs, financing matters, educational training, and mischievous things.</li> <li>To plan and review the company's accounting procedure as well as inspect each accounting task to fulfill accounting and taxing regulations.</li> <li>To handle the company's accounting affairs and review financial statement.</li> <li>To handle the accounts receivable, accounts payable, the cost, and cashier.</li> <li>To manage the capital of the company.</li> <li>To coordinate and negotiate significant matters in important meetings, including Board of Director meeting and Shareholders' meeting.</li> <li>To deal with affairs related to corporate governance.</li> <li>To maintain the relation among shareholders.</li> </ol>

## ii. Directors and Management Team

### A. Directors

#### a. Information Regarding Directors

March 31, 2021 Units: shares; %																				
Title	National	Name	Gender	Date Elected	Term (Years)	Date (First Elected)	shareholding when elected		Current shareholding		Current shared held by spouse and children of minor age		Shareholding under the name of a third party		Experience (Education)	Other Position	Other chiefs, supervisors or directors with spouses or relatives within the second degree of kinship			Notes
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation	
Chairman	R.O.C.	Hua Sheng International Investment Ltd.		20200520	3	20170503	7,299,640	7.99	7,299,640	7.99	-	-	-	-	-	-	-	-	-	Note1
	R.O.C.	Representative: Ching-Yi Chang	M	20200520			-	-	-	-	-	-	-	-	Master, NCCU department of business administration	- CSO of LandMark - Director of Taiflex Scientific Co. Ltd. - Director of Eurocharm Holdings Co., Ltd. - Chairman of the CID Group - Director of ENTIRE TECHNOLOGY CO., LTD.	-	-	-	
Vice Chairman	R.O.C.	Wei Lin	M	20200520	3	20051122	155,622	0.17	146,622	0.16	1,300	0.001	-	-	- Doctor of science in electrical engineer, NCKU - Chairperson of sup-program, Chungghwa Telecom Research Institute	- CTO of LandMark	-	-	-	-
Director	R.O.C.	Jerry Yang	M	20200520	3	20130411	85,824	0.09	77,824	0.09	48,750	0.05	-	-	- Master, department of finance, NCCU - CPA in Taiwan - CFA Charterholder - CFO, TAIHAN	- CFO and Deputy General Manager of LandMark - Director of Advanced Power Electronics Co., Ltd. - Independent Director of ELITE ADVANCED LASER Corporation	-	-	-	-
Director	R.O.C.	Yong Hong Lu	M	20200520	3	20170503	-	-	-	-	-	-	-	-	- Doctor, Department of Applied Chemistry, NCTU - Vice president, AUO	- Director of Shuz Tung Machinery Industrial Co., Ltd.	-	-	-	-
Independent Director	R.O.C.	Bob Tseng	M	20200520	3	20140508	-	-	-	-	-	-	-	-	- Doctor of chemical engineering, UT - Deputy General Manager in Shanghai Songjiang plant, TSMC - Factory manager, 1st plant of VIS	-	-	-	-	

Title	National	Name	Gender	Date Elected	Term (Years)	Date (First Elected)	shareholding when elected		Current shareholding		Current shared held by spouse and children of minor age		Shareholding under the name of a third party		Experience (Education)	Other Position	Other chiefs, supervisors or directors with spouses or relatives within the second degree of kinship			Notes
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation	
Independent Director	R.O.C.	James Wang	M	20200520	3	20170503	-	-	-	-	-	-	-	-	- DBA of National Chengchi University - Master of Accounting, National Chengchi University - Bachelor of Accounting, National Cheng Kung University - Leader of EY Taiwan - Chairman of EY Management Consulting Inc. - Chairman of EY Cultural and Educational Foundation - CPA in Taiwan and China - CPA/CMA in the US	- Independent Director of Tatung Co., Ltd. - Independent Director of PCL Technologies, Inc. - Independent Director of SYSAGE Technology Co., Ltd. - Chairman of NCKU Venture Capital Co., Ltd. - Director of GenomeFrontier Therapeutics, INC.	-	-	-	-
Independent Director	R.O.C.	Yong Chang Chen	M	20200520	3	20170503	-	-	-	-	-	-	-	-	- Taiwan University Law Department - Taiwan High Court Judge	- Leader of All-Pro Law Firm - Director (Legal Representative) of Flexium Interconnect, Inc. - Independent Director of Center Laboratories, Inc. - Independent Director of Collins Co., Ltd.	-	-	-	-
Note 1: The Chairman and general manager or the equivalent position (chief executive officer) serve by different persons.																				

## b. Major Shareholders of Corporate Shareholders

March 31, 2021

Name of corporate shareholder	Major shareholders of corporate shareholders	Shareholding ratio
Hua Sheng International Investment Ltd.	The CID Group Inc.	100%

## c. Major Shareholders of Major Corporate Shareholders

March 31, 2021

Name of the Corporate	Major Shareholders of the Corporate
The CID Group Inc.	MAIN STREET GROUP CO., LTD. (Shareholding ratio, 100%)

## d. Information on Directors in Professionalism and impartiality

Criteria	More than 5 years of experience and the following professional qualifications			Status of independence (Note)												Number of public companies where the person holds the title as independent director
	Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the company in public or private colleges or universities	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who has passed a National Examination and been awarded a certificate in a profession necessary for the business of the Company	Required Work experience in commerce, law, finance, accounting or others required by the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Name																
Ching-Yi Chang			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Wei Lin			✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Jerry Yang		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Yong Hong Lu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Bob Tseng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
James Wang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Yong Chang Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

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

- (1) Not an employee of the company or any of its affiliates;
- (2) Not a director or supervisor of the company or any of its affiliates (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.);
- (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 any of the officer in the preceding 1 subparagraph, or of any of the above person in the preceding subparagraphs 2 and 3;
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings or is assigned to be company director or supervisor according to Paragraph 1 or 2, Article 27 of the Company Law. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.)
- (6) Not a director, supervisor or employee of other companies who controls more than 50% of the percentage of company's directors or shares with voting right. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.)
- (7) Not a director, supervisor, employee of other companies or institution who is the person or spouse of the company's chairman, general manager or employee in the same position. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.)
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company. (Not applicable in cases where the specified company or institution holds the amount of issued shares for 20% to 50% and where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.)
- (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000";
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company;
- (11) Not been a person of any conditions defined in Article 30 of the Company Law; and
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

## B. Information Regarding Management Team

March 31, 2021 Units: shares; %

Title Name	Nationality or Registry	Gender	Date Effective	Status of Shareholding (Note 1)		Current Shares Held by Children of Minor Age (Note 1)		Shareholding Under the Name of A Third Party (Note 1)		Experience (Education)	Other Position	Managerial Officers with Spouses or Relatives Within the Second Degree of Kinship			Note
				Shares	Ratio for shareholding	Shares	Ratio for shareholding	Shares	Ratio for shareholding			Title	Name	Relation	
Chairman /CSO Ching-Yi Chang	R.O.C.	M	2020.05.01	-	-	-	-	-	-	Master, NCCU department of business administration	- Director of Taiflex Scientific Co. Ltd. - Director of Eurocharm Holdings Co., Ltd. - Chairman of the CID Group - Director of ENTIRE TECHNOLOGY CO., LTD.	-	-	-	Note2
Vice Chairman /CTO Wei Lin	R.O.C.	M	2007.06.15	146,622	0.16%	1,300	0.001%	-	-	- Doctor of science in electrical engineer, NCKU - Chairperson of sup-program, Chunghwa Telecom Research Institute	-	-	-	-	Note2
General Manager Roger Lo	R.O.C.	M	2017.03.20	20,000	0.01%	-	-	-	-	- Master, Chemical Research Institute, NCU - Director, Quality and Reliability Department of Shanghai Plant, TSMC - Vice Director, Quality and Reliability Department of 6 <sup>th</sup> and 14 <sup>th</sup> plants, TSMC	-	-	-	-	Note2
CFO/ Deputy General Manager Jerry Yang	R.O.C.	M	2013.04.11	77,824	0.09%	48,750	0.05%	-	-	- Master, department of finance, NCCU - CPA in Taiwan - CFA Charterholder - CFO, TAIHAN	- Director of Advanced Power Electronics Co., Ltd. - Independent Director of ELITE ADVANCED LASER Corporation	-	-	-	-
R&D Dept. Deputy General Manager Keiro Komatsu	Japan	M	2014.11.13	-	-	-	-	-	-	- Department of Electrical Engineering, YNU - Manager of Individual Semiconductor Business Division and the compound semiconductor element Division, NEC - Senior researcher of the compound semiconductor element Division, Renesas Electronics	-	-	-	-	-
Sales Dept. Deputy General Manager Richard Bai	R.O.C.	M	2017.06.01	17,000	0.02%	-	-	-	-	- Master, Department of Electronics Engineering, NCKU - RIT, Gatech - Assistant researcher, NCSIST - AUO Enterprise Development Office System Development Plan Moderator - AUO laptop monitor institutions Associate	-	-	-	-	-
MFG Division I Assistant manager, Shi-Ming Zhuang	R.O.C.	M	2016.11.18	9,000	0.001%	-	-	-	-	- Master, Department of Electronics Engineering, NCKU	-	-	-	-	-
MFG Division II Assistant manager Han-Ti Hsiao	R.O.C.	M	2017.08.04	6,000	0.01%	-	-	-	-	- Chemical engineering, NTU - Manager, TSMC R&D Manufacturing Center	-	-	-	-	-

Note 1: shares held as to March 31, 2021, the publication date of the annual report.

Note 2: The General Manager or persons in equivalent position (chief manager) and the chairman serve by different persons, and none of them are spouses or within first degree of kinship.



iii. Remuneration paid during the most recent fiscal year (2020) to Directors, Supervisors, General Manager, and Deputy General Managers

A. Remuneration paid to Directors and Independent Directors

Unit: NT\$ thousands

Title	Name	Remuneration to Directors								The sum of A, B, C and D in proportion to Earnings After Tax (%)		Remuneration in the capacity as employees								The sum of A, B, C, D, E, F and G to Earnings after Tax (%)		Remuneration received from invested companies other than subsidiaries or the parent company
		Remuneration(A)		Pension(B)		Bonus to Directors(C)		Allowances (D)				Salaries, bonus and special subsidies(E)		Pension(F)		Repay for employee(G)						
		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company		All companies included into the financial statement		The Company	All companies included into the financial statement	
																Cash dividend	Stock dividend	Cash dividend	Stock dividend			
Director	Hua Sheng International Investment Ltd. Representative: Ching-Yi Chang	-	-	-	-	4,984	4,984	140	140	0.87	0.87	11,135	11,135	-	-	9,400	-	9,400	-	4.34	4.34	None
	Wei Lin																					
	Jerry Yang																					
	Yong Hong Lu																					
Independent Director	Bob Tseng	-	-	-	-	2,899	2,899	195	195	0.52	0.52	-	-	-	-	-	-	-	-	0.52	0.52	None
	James Wang																					
	Yong Chang Chen																					
<p>1.The policy, system, standard, and structure of remuneration for independent directors should be stated, and the amount of remuneration should be justified with an illustration of the person's duty, risk, and devoted time: The evaluation of the company's independent directors is proposed by remuneration committee and resolved by the Board of Directors with consideration of the director's performance and devotion to the company.</p> <p>2.Other than the content revealed in the table above, any remuneration received by the director of the company for offering service (e.g. serving as an external consultant) to any company mentioned in the financial statement: None.</p>																						

### Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of A, B, C and D		Total of A, B, C, D, E, F and G	
	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement
Less than NT\$1,000,000	James Wang, Yong Chang Chen, Yong Hong Lu	James Wang, Yong Chang Chen, Yong Hong Lu	James Wang, Yong Chang Chen, Yong Hong Lu	James Wang, Yong Chang Chen, Yong Hong Lu
NT\$1,000,000 thousand (inclusive) ~ NT\$2,000,000 (exclusive)	Bob Tseng, Wei Lin, Jerry Yang	Bob Tseng, Wei Lin, Jerry Yang	Bob Tseng	Bob Tseng
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Representative of Hua Sheng International Investment Ltd. :Ching-Yi Chang	Representative of Hua Sheng International Investment Ltd. :Ching-Yi Chang	Jerry Yang	Jerry Yang
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	-	Representative of Hua Sheng International Investment Ltd. :Ching-Yi Chang	Representative of Hua Sheng International Investment Ltd. :Ching-Yi Chang
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	-	-	Wei Lin	Wei Lin
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	7	7	7	7

## B. Remuneration paid to General Manager and Deputy General Manager

Unit: NT\$ thousands

Unit: HK\$ thousand														
Title	Name	Salaries(A)		Pension (B)		Cash incentives and special discretionary allowance etc. (C) (Note 1)		The amount of employee repay(D)(Note 2)				The sum of A, B, C and D in proportion to Earnings After Tax (%)		Remuneration received from invested companies other than subsidiaries or the parent company
		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company		All companies included into the financial statement		The Company	All companies included into the financial statement	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend			
Chairman/ CSO	Ching-Yi Chang	14,132	14,132	-	-	11,653	11,653	16,900	-	16,900	-	7.23	7.23	None
Vice Chairman/ CTO	Wei Lin													
General Manager	Roger Lo													
CFO/ Deputy General Manager	Jerry Yang													
Deputy General Manager	Keiro Komatsu													
Deputy General Manager	Richard Bai													

Note 1: The remuneration offered to general manager and deputy general manager in the recent year, including bonuses, incentives, and transportation allowance, or substantial offering like dorm rooms or cars.

Also, based on the IFRS 2 share-based payment regulation, remuneration should include the employee stock option, restricted stock awards, and private placement for capital increase.

Note 2: The proposed amount of remuneration for managers in 2020 budget has not been resolved by the board of directors. The revealed amount which may be distributed is calculated based on the actual distributed amount in the previous year.

## Range of Remuneration

Range of Remuneration	Name of General Manager and Deputy General Manager	
	The Company	All companies included into the financial statement
Less than NT\$1,000,000	-	-
NT\$1,000,000 thousand (inclusive) ~ NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Ching-Yi Chang, Jerry Yang	Ching-Yi Chang, Jerry Yang
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Keiro Komatsu, Richard Bai	Keiro Komatsu, Richard Bai
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Wei Lin, Roger Lo	Wei Lin, Roger Lo
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-
Over NT\$100,000,000	-	-
Total	6	6

### C. Employees' Profit Sharing Paid to Management Team

Unit: NT\$ thousands; %

	Title	Name	Stock	Cash (Note 1)	Total	Proportion to Earnings After Tax (%)
Executive Officers	Chairman/CSO	Ching-Yi Chang	-	20,660	20,660	3.50
	Vice Chairman/CTO	Wei Lin				
	General manager	Roger Lo				
	CFO / Deputy General Manager	Jerry Yang				
	Deputy General Manager	Komatsu Keiro				
	Deputy General Manager	Richard Bai				
	Assistant Manager,	Shi-Ming Zhuang				
	Assistant Manager,	Han-Ti Hsiao				

Note1: Which indicates the remuneration for employee (including shares and cash), distributed to managers, approved by the board of directors. If it was not able to estimated, the ratio of actual distribution amount will apply to propose for the distribution amount of the year. The amount of 2020 remuneration for employee of the managers, which the Company proposed to distribute, hasn't been approved by the board of directors in 2021. The disclosed amount was calculated based on the actual distribution amount of the previous year as proposed distribution amount this year.

D. The following section separately compares and illustrates the ratios of remuneration paid to directors, supervisors, general managers and Deputy General Managers of the Company and the companies in the consolidated financial statements in the last two years, to net income. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance are also illustrated in this section.

- a. Analysis on the ratios of remuneration paid to directors, supervisors, general managers and Deputy General Managers of the Company and the companies in the consolidated financial statements to net income in the financial statements in the last two years

Unit: NT\$ thousands : %

Item \ Year	2019		2020	
	The company	In proportion to Earnings After Tax (%)	The company	In proportion to Earnings After Tax (%)
The remuneration paid to directors	9,002	2.00	8,218	1.39
The remuneration paid to presidents and vice presidents	26,348	5.85	42,685	7.23

Note: The Company doesn't have subsidiaries and reinvestments so that there is no requirement to compile consolidated financial statements. Therefore, the individual financial report is represented in 2019 and 2020.

- b. The policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk.
  1. The remuneration of directors includes the compensation, transportation allowance, expenses; and reward for business affairs and business affairs. Based on the regulations in Articles of Incorporation when 1% of the net profit is allocated for remuneration of directors, the amount

distributed to each director would be determined by the directors' participation and contribution for the operational affairs.

2. The remuneration of general manager, deputy general manager, and other managers include the compensation, bonuses, employee salary, restricted stock awards or restricted stocks. It is measures based on the employee's position, responsibilities, and contribution made to the company with reference to the policies of other companies in the same industry. The manager's responsibility in the position and the contribution to the company's operation goal will also be taken in to consideration. The general manager will receive remuneration according to the duty of the person in the position as well as the contribution to the company's goal. The company offer reasonable remuneration based on the overall operational performance, the potential risk and developing trend in the industry, the individual performance, and the person's contribution to the company. The performance evaluation outcome would be reviewed by the remuneration committee and the Board of directors, and the remuneration system would be constantly reviewed or amended in accordance with the business condition and relevant laws. Hopefully, the company can achieve sustainable management and risk control at the same time.

#### iv. Implementation of Corporate Governance

##### A. Board of Directors

A total of 7 meetings of the Board of Directors were held in 2020, twice for the ninth meeting and five times for the tenth meeting.

The attendance of directors was as follows:

Title	Name	Actual attendance	By proxy	Actual attendance rate (%)	Notes
Chairman	Ching-Yi Chang	7	—	100%	Election as the previous tenure expired.
Director	Wei Lin	7	—	100%	
Director	Jerry Yang	7	—	100%	
Director	Yong Hong Lu	7	—	100%	
Independent Director	Bob Tseng	7	—	100%	
Independent Director	James Wang	7	—	100%	
Independent Director	Yong Chang Chen	7	—	100%	

Other mentionable items:

1. If there are circumstances as follows, the date on which the meetings, sessions, contents of motion, all independent director's opinions and the company's responses should be specified:

- (1) Matters specified in Article 14-3 of the Securities and Exchange Act: The company had established the Audit Committee. Article 14-5 of the Securities and Exchange Act is applicable for independent directors to express opinions. Hence, Article 14-3 of the Securities and Exchange Act is not applicable.
- (2) Resolutions other than the above-mentioned matters that independent directors expressed objections or reservations and have specified in written statements: Not applicable.

2. The measure for directors' withdrawal from conflict of interest:

- (1) Date of meeting: April 29, 2020

Content: Appointment of the company's CSO

The situation of directors' withdrawal from conflict of interest: The chairman of the Company, Ching-Yi Chang, holds a concurrent post as CSO from May 1, 2020. The chairman of the Company was withdrawn from discussion and voting for the appointment of CSO.

- (2) Date of meeting: June 3, 2020

Content: To publish the register of employees granted restricted stock in 2020 and the proposal related to allocation of dividend for managerial employees.

The status of directors' withdrawal from conflict of interest: The directors who are also employees of the company (Ching-Yi Chang, Wei Lin and Jerry Yang) and the general manager (Roger Lo) were withdrawn from discussion and voting for proposals related to allocation of restricted stock for managerial employees and dividend for employees.

3. The board of directors' evaluation:

Frequency of evaluation	Duration of evaluation	Range of evaluation	Methods of evaluation	Aspects to evaluate
Once every year	January 1, 2020 to December 31, 2020	Board of Directors	Internal self-evaluation	<ol style="list-style-type: none"> <li>1. Participation in the operation of the company;</li> <li>2. Improvement of the quality of the board of directors' decision making;</li> <li>3. Composition and structure of the board of directors;</li> <li>4. Election and continuing education of the directors; and</li> <li>5. Internal control.</li> </ol>

Once every year	January 1, 2020 to December 31, 2020	Individual member of Board of Director	Self-evaluation by each director	1. Alignment of the goals and missions of the company; 2. Awareness of the duties of a director; 3. Participation in the operation of the company; 4. Management of internal relationship and communication; 5. The director's professionalism and continuing education; and 6. Internal control.
Once every year	January 1, 2020 to December 31, 2020	Functional Committees	Self-evaluation by committee members	1. Participation in the operation of the company; 2. Awareness of the duties of the functional committee; 3. Improvement of quality of decisions made by the functional committee; 4. Makeup of the functional committee and election of its members and 5. Internal control.

4. Implementation and Assessment of measures to enhance functionality of the Board (e.g. the foundation of Audit Committee, enhancement of information transparency, etc.)

- (1) The company had established audit committee and remuneration committee to help the Board of Director discharge the responsibility of supervision.
- (2) To actively promote and enhance the company's sustainable development and operation management related to corporate social responsibility, the company established "Corporate Sustainability Committee" accepted resolution by the Board of Director on December 17, 2019 and made suggestions to the Board of Director about operation matters of nomination election of chairman (including independent directors). The company renamed Corporate Sustainability Committee to "Corporate Sustainability and Nomination Committee".
- (3) Ranked the Top 5% TPEX-listed Companies with respect to Corporate Governance Evaluation for two consecutive years (2018 and 2019).
- (4) The company's directors fulfill the requirement of authorities regarding minimum on-the-job training hours.
- (5) The company has designated personnel to reveal corporate information, update data on the official website, and deal with other relevant matters.
- (6) To enhance the company operation and a sound risk management, the company stipulate "Policy of Risk Management" in October 2020.

## B. Audit Committee

A total of 4 meetings of Audit Committee were held in 2020. The attendance of independent directors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Notes
Independent Director	Bob Tseng	4	—	100%	—
Independent Director	James Wang	4	—	100%	—
Independent Director	Yong Chang Chen	4	—	100%	—
Other mentionable items:					
1. If there are circumstances as follows, the date on which the meetings, sessions, contents of motion, all Audit Committee members' opinions and the company's responses should be specified:					
(1) Matters that were referred to in Article 14-5 of the Securities and Exchange Act.					
(2) Other than the above-mentioned matters, the matters which have not been adopted by the audit committee but resolved with consent of over two-thirds of all members of the board of directors.					
Date and session of the board of directors Meeting	Content of the motion and follow-up measures		Matters specified in Article 14-5 of the Securities and Exchange Act	Matters which have not been adopted by the audit committee but resolved with consent of over two-thirds of all members of the board of directors	
The 17 <sup>th</sup> meeting of the 9 <sup>th</sup> session February 5, 2020	1. Proposal of the company's 2019 financial report and business statement.		✓		
	2. Proposal of the company's 2019 "Statement of Internal Control system" .		✓		
	3. Proposal of amendment on part of provisions in the Company's guidelines for internal control.		✓		
	4. Proposal of amendment on part of the provisions in the company's "Regulations Governing Procedure for Board of Directors Meetings."		✓		
	5. Proposal regarding to issue the company's Restricted stock awards.				
	6. Proposal of changing CPAs, independence evaluation, and remuneration allocated to CPAs for accession and certifying accounting data and offering other services.				
	Resolution of the Audit Committee: the proposals were adopted with unanimous consent.				
	Treatment of the Board to the opinion of the Audit Committee: the proposals were adopted with unanimous consent.				
The 18 <sup>th</sup> meeting of the 9 <sup>th</sup> session April 29, 2020	1. Proposal of procurement for production equipment.		✓		
	Resolution of the Audit committee: the proposals were adopted with unanimous consent.				
	Treatment of the Board to the opinion of the Audit Committee: the proposals were adopted by all attendees with unanimous consent.				
The 4 <sup>th</sup> meeting of the 10 <sup>th</sup> session	1. Renew the proposal of the company's "Risk Management Policy"		✓		
	Resolution of the Audit committee: the proposals were adopted with				



October 28, 2020	unanimous consent.		
	Treatment of the Board to the opinion of the Audit Committee: the proposals were adopted by all attendees with unanimous consent.		
The 6 <sup>th</sup> meeting of the 10 <sup>th</sup> session February 3, 2021	1. Proposal of the company's 2020 "Statement of Internal Control system" .		
	2. Proposal of the company's 2020 financial report and business statement.		
	3. Proposal of the company's 2021 evaluation of appropriateness and independence of CPAs and the appointed remuneration.		
	Resolution of the Audit Committee: the proposals were adopted with unanimous consent.		
	Treatment of the Board to the opinion of the Audit Committee: the proposals were adopted with unanimous consent.		

2. Considering the measure for withdrawal from conflict of interest, the names of directors, contents of proposals, reasons to avoid conflict interest, and participation for voting should be specified: None.

3. The communication between independent directors and director of internal audit as well as the CPAs (aspects such as the company's finance, significant matters, methods, and outcomes regarding business communication should be included).

(1) The director of audit should follow the audit procedure. As all items are audited, the audit report and follow up report should be submitted to independent directors for review. The audit director should also make use of email, telephone, or meeting to communicate and discuss with the independent directors about implementation of internal audit and internal control. The audit director shall also attend the meeting of audit committee and the regular board of director meetings to report the situation of implementing audit measures. The aspects which the audit committee and audit director have communicated about in 2020 up to the printing date of the annual report:

Date	Type of meeting	Matters to be communicated	Outcome of communication
February 5 , 2020	Audit Committee	1. Report on implementation of audit matters in 4th quarter of 2019 and internal control self-evaluation of 2019. 2. Evaluation on effectiveness of internal control system in 2019.	No objective opinion.
April 29, 2020	Audit Committee	Report on implementation of audit matters in 1st quarter in 2020.	No objective opinion.
July 29, 2020	Audit Committee	Report on implementation of audit matters in 2nd quarter in 2020.	No objective opinion.
October 28, 2020	Audit Committee	Report on implementation of audit matters in 3rd quarter in 2020.	No objective opinion.

(2) The company's CPAs periodically attend the Audit committee meetings and present the report of review on financial report as well as other matters to be communicated required by relevant laws to the committee members. An immediate report would be presented to the audit committee should any unexpected situation occur. No such conditions as mentioned above had occurred as of the printing date of annual report. The topics for discussion and matters discussed by audit committee and accountants are summarized as below:

Date	Type of meeting	Matters to be communicated	Outcome of communication
February 5, 2020	Audit Committee	The coverage of audit report of the 2019 financial statement, key audit matters (evaluation of inventory), adjustment of audit difference, impact on new public regulations to be implemented and important laws for certification and management, updated in tax laws, etc.	No objective opinion.
October 28, 2020	Audit Committee	Report of audit on financial statement of the 3rd quarter in 2020, concerned matters by competent authorities, the audit plan in 2020 and updated	No objective opinion.

			in important laws, etc.	
	February 3, 2021	Audit Committee	The coverage of audit report of the 2019 financial statement, key audit matters (evaluation of inventory), adjustment of audit difference, concerned matters by competent authorities, important laws for certification and management and updated in tax laws, etc.	No objective opinion.

4. Important tasks of the Audit Committee of the year

- (1) The audit committee aims to assist the Board of directors in implementing procedures for accounting, auditing, and financial statement; it also deals with the quality and integrity in matters of financial control.
- (2) The major matters to be reviewed on the audit committee meeting are as below:
  - a. Stipulation or revision of the system for internal control.
  - b. Evaluation of effectiveness of the system for internal control.
  - c. Stipulation or revision of procedures of major financial implementation for acquisition or disposal assets, transaction of derivative products, fund lending, endorsement for others or assurance providing.
  - d. Matters related to directors' conflict of interest.
  - e. Transaction of major assets or derivative products.
  - f. Lending, endorsement or assurance of important funds.
  - g. Public offering, publishing or private placement of securities with equity.
  - h. The appointment, demission, or remuneration of CPAs.
  - i. Appointment of financial, accounting or internal audit managers.
  - j. Financial report, business report and proposal for allocation of remuneration.
  - k. Other major issues stipulated by competent authorities.

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

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company observes “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to establish “Corporate Governance Best Practice Principles” of Landmark Optoelectronics Corporation and publicized the Mandarin version on its official website <a href="http://www.lmoc.com.tw">http://www.lmoc.com.tw</a> for download. The Company’s principles or policies of corporate governance has not only complied with laws and the Articles of Incorporation, but also established efficient structure for corporate governance, protected shareholders’ equity, strengthened the functions of the Board of Directors, respected stakeholders’ rights and interests, and enhanced the information transparency.	None
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		The Company has established “Rules of Procedure for Shareholders Meetings” and accordingly convenes shareholders’ meetings each year as a channel for shareholders to communicate with each other regularly. To build an immediate and healthy communication mechanism with the investors, the Company has designated a spokesperson and deputy person. It also reveals the contact information on the Company’s official website and the Market Observation Post System. Shareholders can send their opinions by phone or email, and the Company would deal with the case according to relevant principles.	None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The Company has designated to stock transfer agents to deal with affairs related to shareholders. It has mastered the major shareholder through name list of the stock agents and learned about the person in ultimate charge of the stocks. The Company also observes the laws and reports any change in shareholding conditions of the directors, managers, and shareholders possessing 10% of the stocks.	None
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		The Company has established “Regulations Governing Transactions between Related Persons” to regulate its trading with affiliates. It is supposed to enhance risk control. However, the Company has never had any transaction with its affiliates so far.	None
(4) Does the company establish internal rules against insiders trading with undisclosed	✓		The Company has established “Operation Procedure for Prevention of Insider Trading” to abandon any of the Company’s employees from	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																																
	Yes	No	Summary																																	
information?			making use of or revealing to others the unpublicized information for benefit from stock trading.																																	
3. Composition and Responsibilities of the Board of Directors (1)Does the Board develop and implement a diversified policy for the composition of its members?	✓		<div>1. The Company has established “Corporate Governance Best Practice Principles”. The verification principles are specified in Chapter 3 “Enhancing the Functions of the Board of Directors”. Members of the Company’s Board of Directors are nominated and elected according to provisions in the Articles of Incorporation. The Company adopts the candidate nomination system. It assesses the candidates’ education and work experiences while following “Rules of Election of Directors” and “Corporate Governance Best Practice Principles” to ensure the diversity and independence of the Board members. The Company established Corporate Sustainability and Nomination Committee for matters of nomination of directors (including independent directors) by prudently assessing the qualifications of nominees and submitting suggested candidate list to the Board of Directors. It assesses the appropriateness of the structure of the Board of Directors, the number and the professional background of directors.</div> <div>2. The Company has established 7 directors, including 3 independent directors to fulfill the requirement based on its operational scale and needs for development. The expertise of the directors ranges from industrial, academic, financial, accounting, managing professions, which manifests the principle of forming a Board with diversity.</div> <table><tr><th>Multiple core item Name of the director</th><th>Gender</th><th>Management</th><th>Leadership decisions</th><th>Industry knowledge</th><th>Financial Accounting</th><th>Law</th><th>Environmental protection</th></tr><tr><td>Ching-Yi Chang</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td></td><td></td><td></td></tr><tr><td>Wei Lin</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td></td><td></td><td></td></tr><tr><td>Jerry Yang</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td></td></tr></table>	Multiple core item Name of the director	Gender	Management	Leadership decisions	Industry knowledge	Financial Accounting	Law	Environmental protection	Ching-Yi Chang	Male	✓	✓	✓				Wei Lin	Male	✓	✓	✓				Jerry Yang	Male	✓	✓	✓	✓	✓		None
Multiple core item Name of the director	Gender	Management	Leadership decisions	Industry knowledge	Financial Accounting	Law	Environmental protection																													
Ching-Yi Chang	Male	✓	✓	✓																																
Wei Lin	Male	✓	✓	✓																																
Jerry Yang	Male	✓	✓	✓	✓	✓																														

Evaluation Item	Implementation Status										Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																																
	Yes	No	Summary																																								
			<table><tr><td>Yong Hong Lu</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td></td><td></td><td></td></tr><tr><td>Bob Tseng</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td></td><td></td><td>✓</td></tr><tr><td>James Wang</td><td>Male</td><td>✓</td><td>✓</td><td></td><td>✓</td><td></td><td></td></tr><tr><td>Yong Chang Chen</td><td>Male</td><td>✓</td><td>✓</td><td></td><td></td><td>✓</td><td></td></tr></table> <p>3. The policy for diversity in Board of Director members is revealed in the Company’s official website and Market Observation Post System.</p> <p>4. The objectives for Board diversity: The term of office for independent directors does not exceed three terms. In order to fulfill the objective for diversity of industrial knowledge area for directors, the target of percentage of directors with industrial and professional background is at least 40%. When the term of the Board of Directors has expired for re-election, to include at least one female on the Board is planned.</p> <p>5. Execution of Board diversity: There are three independent directors, accounted for 42.85% of the Board members. The terms of office for all independent directors don’t exceed three terms. Currently, of all the seven directors, there are five professionals in industrial knowledge area, taking up 71.42% of the Board members.</p>								Yong Hong Lu	Male	✓	✓	✓				Bob Tseng	Male	✓	✓	✓			✓	James Wang	Male	✓	✓		✓			Yong Chang Chen	Male	✓	✓			✓		
Yong Hong Lu	Male	✓	✓	✓																																							
Bob Tseng	Male	✓	✓	✓			✓																																				
James Wang	Male	✓	✓		✓																																						
Yong Chang Chen	Male	✓	✓			✓																																					
(2)Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		<p>The Company has established Remuneration Committee and Audit Committee according to relevant laws. It has also established the Corporate Sustainability Committee (resolved on the Board of Directors meeting on December 17, 2019). The regular analysis and discussion about the Company’s strategies, operations, and CSR affairs would be hosted to offer consultation and advice for the reference of the Board and relevant implementation units. In order to strengthen the functions of the Board of Directors, promote the value of corporate sustainability, and give the Board suggestions of corporate governance which includes the nomination of directors and independent directors, the Company renamed the “Corporate Sustainability Committee” to “Corporate Sustainability and Nomination Committee” in October 2020. The duties include:</p> <p>1. Formulating the sustainability policy. Set sustainability governance, ethical management, and environmental and social aspect.</p> <p>2. Review, track, and modify progress and results of sustainability</p>								None																																

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>activities, and report regularly to the board of directors.</p> <p>3. Follow issues of interest to stakeholders, including shareholders, customers, suppliers, employees, governments, NGOs, communities, and media, and communications programs.</p> <p>4. Responsible for nominating candidates of director (including independent director), carefully reviewing the qualifications of nominated candidates and making recommendation of suitable candidates to the Board.</p> <p>5. Timely assess the appropriateness of the structure of the Board of Directors and the number and professional background of board members.</p> <p>6. Review the qualifications of the members of each committee under the Board of Directors and report to the Board.</p> <p>7. Complying with Articles of Incorporation, other Internal regulations, and resolution of the board of directors.</p>	
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?	✓		<p>The Company has established “Guidelines for Evaluation of the Board’s Performance,” where it is speculated that the internal performance evaluation of the Board should be held at least once a year. The performance evaluation of the year should be conducted at the end of the year within the duration of the internal evaluation of the Board.</p> <p>The performance evaluation of the Board should cover five major aspects as below:</p> <p>1. Participation in the operation of the Company;</p> <p>2. Improvement of the quality of the Board of Directors' decision making;</p> <p>3. Composition and structure of the Board of Directors;</p> <p>4. Election and continuing education of the directors; and</p> <p>5. Internal control.</p> <p>The self-evaluation of the Board of Directors’ members should cover the following 6 aspects:</p> <p>1. Alignment of the goals and missions of the Company;</p> <p>2. Awareness of the duties of a director;</p> <p>3. Participation in the operation of the Company;</p> <p>4. Management of internal relationship and communication;</p> <p>5. The director's professionalism and continuing education; and</p> <p>6. Internal control.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																								
	Yes	No	Summary																									
			<p>The evaluation includes the internal self-evaluation of the Board and the self-evaluation of the Board members; it would be conducted through survey. The Board’s 2020 self-evaluation outcome was presented at the Board of Directors meeting on February 3, 2021, which indicated that over 88% of the respondents highly proved the achievement of goals. The performance evaluation of the functional committees was conducted. The functional committees’ members also participated a self-evaluation survey, and the result is summarized as below:</p> <table><tr><th>Evaluation Items</th><th>Very agree</th><th>Agree</th><th>No comment</th></tr><tr><td>1. Participation in the operation of the Company</td><td>92%</td><td>8%</td><td>0%</td></tr><tr><td>2. Improvement of the quality of the Board of Directors' decision making</td><td>100%</td><td>0%</td><td>0%</td></tr><tr><td>3. Composition and structure of the Board of Directors</td><td>90%</td><td>10%</td><td>0%</td></tr><tr><td>4. Election and continuing education of the directors</td><td>100%</td><td>0%</td><td>0%</td></tr><tr><td>5. Internal control</td><td>90%</td><td>10%</td><td>0%</td></tr></table> <p>The Board will take the outcome of performance evaluation as the reference for election or nomination of the directors as well as the distribution of remuneration to each director in the future.</p>	Evaluation Items	Very agree	Agree	No comment	1. Participation in the operation of the Company	92%	8%	0%	2. Improvement of the quality of the Board of Directors' decision making	100%	0%	0%	3. Composition and structure of the Board of Directors	90%	10%	0%	4. Election and continuing education of the directors	100%	0%	0%	5. Internal control	90%	10%	0%	
Evaluation Items	Very agree	Agree	No comment																									
1. Participation in the operation of the Company	92%	8%	0%																									
2. Improvement of the quality of the Board of Directors' decision making	100%	0%	0%																									
3. Composition and structure of the Board of Directors	90%	10%	0%																									
4. Election and continuing education of the directors	100%	0%	0%																									
5. Internal control	90%	10%	0%																									
(4)Does the company regularly evaluate the independence of Certified Public Accountants (CPAs)?	✓		<p>The Company has established “Principles for Election and Appointment of CPAs.” to assess the independence and appropriateness of the CPAs every year and require the CPAs to provide the “Claims of Independence”. The Company has confirmed that the CPAs have no other financial advantages and business relationships except audit and taxes report fees. The assessment of independence of the appointed CPAs in 2020 is adopted by the Audit Committee meeting and the Board of Directors’ meeting on February 5, 2020. Refer to Note 1 of the</p>	None																								

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			“Auditing evaluation form for Certified Public Accountant” below for the criterion for CPAs’ independence and appropriateness.	
4. Does the listed company appoint a unit or personnel to be responsible for affairs related to governance (including but not limited to providing information for business of Directors, handling affairs for Board of Directors Meeting and Shareholders’ Meeting in accordance with lawful regulations, registering and altering the Company’s information, making minutes for Board of Directors Meetings and Shareholders’ Meetings, etc.)?	✓		<p>The Company has designated the Office of Administration to be in charge of the affairs related to corporate governance, including organizing the director’s meetings and the shareholders’ meetings, compiling minutes for the Board of Directors meetings and shareholders’ meetings, assisting directors for taking the position and on-the-job training, offering necessary information for the directors to perform their duty, assisting the directors to follow relevant laws.</p> <p>The situation of implementing relevant tasks in 2020 is as below:</p> <ol style="list-style-type: none"> <li>1. Was the contact window between the Company and the directors.</li> <li>2. Assisted the director for performing their duties. Offered information about the Company which may be required on the meetings so as to keep smooth communication between the directors and the leaders of different departments.</li> <li>3. Offered information of on-the-job training courses and make relevant arrangement.</li> <li>4. Arranged affairs to enhance communication between the Audit Committee members and the CPAs as well as the audit supervisors.</li> <li>5. Drafted the agenda for the meetings of the Board, informed each director about the meeting, convened the meeting and offered relevant information, sent reminders about conflict interest avoidance issues, and completed the memorandum of the Board’s meeting within 20 days after the convention was over.</li> <li>6. Dealt with relevant affairs of the shareholder’s meetings.</li> </ol>	None
5. Does the company establish a communication channel with its stakeholders (including but not limited to shareholders, employees, clients, and suppliers) and build a designated section on its website for stakeholders, as well as handle all issues they care for in terms of corporate social responsibilities?	✓		<ol style="list-style-type: none"> <li>1. The Company values its stakeholders, including the shareholders, clients, employees, suppliers, etc. It has proper communication with the stakeholders, and the “Stakeholders Engagement” section is established on the official website to publicize all the communication channels for the stakeholders. The communications with the stakeholders in 2020 was reported to the Board of Directors in December 30, 2020. Refer to Note 2 for the “Summary of Stakeholder Engagement/Communications”.</li> <li>2. The Company convenes various meetings for encouraging employees to communicate with the managerial level. Also, the “Careers” section of the Company’s website has a designated</li> </ol>	None



Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			mailbox for employees and a channel for whistle blowers so that the employees can express their opinions and offer suggestions as well as stay connected with the employer.	
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has entrusted the stock agent department of Hua Nan Securities Co., Ltd to deal with affairs related to the shareholders' meetings and the shares.	None
7. Information disclosure (1)Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		The Company has a designated section for investors on its official website. Shareholders and investors can access information related to the Company's financial results and corporate governance. <a href="http://www.lmoc.com.tw/index.php?lang=en">http://www.lmoc.com.tw/index.php?lang=en</a>	None
(2)Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		1. The Company has established an official English website: <a href="http://www.lmoc.com.tw/index.php?lang=en">http://www.lmoc.com.tw/index.php?lang=en</a> 2. The designated personnel has been assigned to collect and reveal relevant information of the Company. 3. The Company has established a spokesperson and a deputy spokesperson to make announcement so that shareholders and stakeholders can be adequately informed about the Company's financial information and implementation of corporate governance. 4. The materials and videos that the Company presented while attending the irregular investors' meetings have been posted on the Market Observation Post System and the Company's website; such information is accessible to all people.	None
(3)Does the company complete and publicize the annual financial statement within 2 months after the fiscal year ends, then publicize and register the financial statements of the first, second, and third quarters as well as the operation report of each month?	✓		The Company adopted the report for 2020 financial statements on the Board of Director's meeting on February 3, 2021, and the financial statements of each quarter as well as the operation situation of each month have been submitted to regulatory authorities.	None
8. Is there any other information to facilitate a better understanding of the company's corporate governance practices (e.g. including but not limited to employee rights employee wellness, investor relations, supplier relations, rights of stakeholders,	✓		1. Employee rights and care for employees: The Company emphasizes proper labor-management relationships, treats the staff with integrity, respects the uniqueness of each individual, and takes the employees as its strategic assets which create advantages for the organization. Humane and systematic features are the focus of the human resource management, and each employee is treated fairly. An	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)			<p>appropriate communication channel has been established so that employees can express their opinions. In addition, the Company stresses the importance of life-work balance so that employees can make long-term devotion for the Company. The functional policies for human resource management is illustrated in the section of “Business Overview: Labor Relations”.</p> <p>2. Investor relations: The Company has designated spokesperson to reveal its operational information to investors. It also follows relevant laws and publicizes significant information of financial, business, changes in shareholding conditions of the staff on “Market Observation Post System.” There is also a designated section on the Company’s official website to reveal information about the Company’s financial results and corporate governance to investors.</p> <p>3. Supplier relationships: The Company has established “Supplier Management Procedure” to shortlist the qualified business partners. Also, with the establishment of RBA, the Company has been requiring suppliers to sign the “Letter of Commitment of Supplier for Corporate Social Responsibility”.</p> <p>4. Stakeholders’ right: the company offers multiple channels for the stakeholders to communicate with or offer advice to the company, which can protect the legal rights of both parties.</p> <p>5. On-the-job training of the directors: the directors are all equipped with professional competence, and they attend seminars about security regulations according to relevant laws. Please refer to Note 3 for “On-the-job training of the Company’s directors in 2020.”</p> <p>6. Implementation of the risk management policies and risk measuring standard: the Company’s risk management policies are pursuant to the Company’s management guidelines or policies to define different categories of risks, establish the system of risk management for early recognition, accurate measurement, efficient supervision and strict control, prevent possible loss in a tolerable risk level, and continuously improve the best practices of risk management adapting to the change of internal and external environment. The Company conducts the above actions in order to protect the benefits of its employees, shareholders, business partners and customers, increase the Company’s value and optimize resource allocation.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>7. Implementation of client policies: The Company follows terms in the contract with its clients and relevant regulations to assure clients' rights and offer quality service.</p> <p>8. Liability insurance for the directors: The Company has applied Directors' and Officers' Liability Insurance, and the Board is informed about the insurance amount, coverage, and insurance rate as the Company extends the insurance contract each year. The most recent report is made on the Board of Directors' meeting on July 29, 2020, and the duration of insurance lasts from June 28, 2020 to June 28, 2021. The Company's “liability insurance for directors” has been revealed on the Market Observation Post System according to relevant laws.</p>	
<p>9. Please offer illustrations improvement on the aspects pointed out by the evaluation of governance by Taiwan Stock Exchange TWSE and explanation for matters and measures as prioritized items to improve.</p> <p>(1) The Company has made the following improvements after the 7th Corporate Governance Evaluation in 2020:</p> <p>(a) The Company would regularly report the information about the stakeholders to the Board of Directors.</p> <p>(b) The Company would conduct performance evaluation of Functional Committees and reveal relevant information in its Annual Report.</p> <p>(2) The Company has taken the following measures to deal with the evaluation items that it fails to pass:</p> <p>(a) The Company will make succession plans for the Board of Directors' members and important managerial staff, it is making gradual improvement plan for optimizing efficiency of the Board and strengthening the future management team.</p> <p>(b) The Company will appoint a corporate governance officer in charge of corporate governance affairs.</p>				

Note 1: Auditing evaluation form for Certified Public Accountant

Item	I. Review of Criteria for independence	Yes	No
01	The CPA or the spouse / minors of the CPA is not an investor and is not a stakeholder of the company.	✓	
02	The CPA or the spouse / minors of the CPA does not loan from the company. (Not applicable when the entrusting party is in normal affiliation with the company.	✓	
03	The CPA agency does not offer the report for service of assuring effective operation in the financing system it designs or assists in implementation.	✓	
04	The CPA or the audit team members do not serve as the Company's directors, managers, or take other positions that have major impact on the audit cases.	✓	
05	The service offered to the Company, which are not related to auditing matters, does not directly influence the important items of the audit cases.	✓	
06	The CPA or the audit team members are not involved in promotion or transaction of the Company's shares or other forms of securities.	✓	
07	The CPA or the audit team members only deals with affairs according to relevant legal regulations and not involved in the defensive matters for legal cases or other controversies between the Company and the third parties.	✓	
08	The CPA or audit team members are not the spouse, direct blood relatives, direct relative in-laws, or of kinship within the second degree with the Company's directors, managers, or persons of other positions that have significant impact on the audit cases.	✓	
09	The associate CPA who resign from the position within one year do not serve as the Company's directors, managers, or take other positions that have significant influence on the audit case.	✓	
10	The CPA or audit team members do not take gifts or receive favors with great values from the Company's directors, managers, or major shareholders.	✓	
11	The CPA is not a regular employee of the current consignee, receive remuneration regularly, or take the position of a director or a supervisor.	✓	
12	Before the company's IPO: The CPA has not offered auditing service to the Company for 7 consecutive years. After the Company's IPO: The CPA has not offered auditing service to the Company for 10 consecutive years.	✓	
Item	II. Review for Independent Operation		
01	Does the CPA avoid undertaking a case that is directly or significantly related to his/her own interests, which would influence the fairness and independence?	✓	
02	Does the CPA remain formally and substantially independent when reviewing, censoring, or conducting professional inspections on the financial report, and when compiling opinion letters?	✓	
03	Do the audit team members, other associate CPAs, or corporate shareholders of the CPA agency, the CPA agency, its affiliates, and its alliance remain independent from the company?	✓	
04	Does the CPA offer professional service with meticulousness and integrity?	✓	
05	Does the CPA remain objective and disinterested when offering professional service, avoid being biased or having the professional decisions influenced by conflict of interests?	✓	
06	Does the CPA refrain from being biased or lack of independence, which may influence their integrity or objectiveness?	✓	
Item	III. Review of CPA's eligibility		
01	The CPA has not received punishment of the CPA Discipline committee over the most recent 2 years.	✓	
02	Does the CPA agency have enough power, resource, and coverage when offering auditing service to the Company?	✓	
03	Does the CPA agency have specific quality control procedure? Does the procedure cover the level of positions to be reviewed, the method to deal with as well as make judgement on the auditing issues, the quality inspection on independence measures, and management of risks?	✓	

Note 2: Summary of Stakeholder Engagement/Communications

Stakeholder	Issues of Concern	Communication Channels and Frequency	Communication Responses and Results in 2020
Shareholders and Investors	<ul style="list-style-type: none"> <li>Company governance</li> <li>Management performance</li> <li>Shareholders participation</li> <li>Risk management</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders' meeting (annually)</li> <li>Investor conference (at least once a quarter)</li> <li>Financial report (quarterly, annually)</li> <li>Company website (irregularly)</li> <li>Investor mail (irregularly)</li> <li>Email: investor@lmoc.com.tw</li> </ul>	<ul style="list-style-type: none"> <li>Recognized among the top 5% TPEX listed companies and among the top 10% listed companies with market capitalization over NT\$ 10 billion in electronics industry in the 6<sup>th</sup> Corporate Governance Evaluation.</li> <li>The participation rate of shareholders' meetings was 77.83% (over 80% of presented shareholders participated electronically) and votes in favor accounted for over 90% of the total represented share present.</li> <li>Over 60 telephone/ face-to-face investor conferences held for domestic and foreign investors.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Employee benefits</li> <li>Labor-management relations</li> <li>Talent development</li> <li>Occupational safety and health</li> <li>Management performance</li> </ul>	<ul style="list-style-type: none"> <li>Labor-management meeting (quarterly)</li> <li>Staff welfare committee meeting (quarterly)</li> <li>"HR Cares About You" system(irregularly)</li> <li>Bulletin board/ suggestion box (irregularly)</li> <li>Sexual harassment complaints direct line and email (irregularly)</li> <li>Email: lmoc hr@lmoc.com.tw</li> </ul>	<ul style="list-style-type: none"> <li>Held activities such as birthday parties, athletics competition, Moon Festival party, competition for weight loss and family day...etc.</li> <li>Offered monthly childcare allowance for 0 to 3-year-old children.</li> <li>Established employee emergency fund.</li> <li>The average salary of full-time non-managerial employees achieved over NT\$ 880K/year.</li> <li>Provided employees on-the-job training grants.</li> </ul>
Clients	<ul style="list-style-type: none"> <li>Business secret</li> <li>Product quality management</li> <li>Supply chain management (RBA)</li> <li>Hazardous substances management</li> <li>Innovation and R&amp;D</li> </ul>	<ul style="list-style-type: none"> <li>Video/ Telephone conferences (irregularly)</li> <li>Visiting customers (irregularly)</li> <li>On-site audit by customers(irregularly)</li> <li>Customer Satisfaction Survey (annually)</li> <li>Email:sales@lmoc.com.tw</li> </ul>	<ul style="list-style-type: none"> <li>Client satisfaction survey: 100% satisfied with services, 70% satisfied with lead-time, 85% satisfied with product quality, and 73% satisfied with price.</li> <li>The products conformed to EU RoHS, REACH chemicals regulations and restriction of PFOS/PFOA.</li> <li>Obtained the certificate of IATF16949 (automotive quality management system).</li> </ul>
Suppliers/ Contractors	<ul style="list-style-type: none"> <li>Supplier management</li> <li>Product quality</li> <li>Operational condition</li> </ul>	<ul style="list-style-type: none"> <li>Supplier audit (irregularly)</li> <li>Supplier education and trainings (irregularly)</li> <li>Email:supply@lmoc.com.tw</li> </ul>	<ul style="list-style-type: none"> <li>100% of raw material and package material suppliers signed the "Declaration of Hazardous Substances Free" (23 suppliers in total).</li> </ul>
Government	<ul style="list-style-type: none"> <li>Legal compliance</li> <li>Labor relations</li> <li>Environmental protection issues</li> </ul>	<ul style="list-style-type: none"> <li>Correspondences with the government (irregularly)</li> <li>Corporate Governance Evaluation (annually)</li> <li>Announcement on the Market Observation Post System (irregularly)</li> <li>Seminars and public meetings held by the competent authorities (irregularly)</li> <li>Supervision and audit by the competent authorities (irregularly)</li> </ul>	<ul style="list-style-type: none"> <li>The Company was recognized among the top 5% TPEX listed companies in the Corporate Governance Evaluation in two consecutive years</li> <li>Timely publicly announced and reported in accordance with the competent authorities.</li> <li>No fine determination for violations of laws.</li> </ul>

Note 3: On-the-job training of the Company's directors in 2020

Title	Name	Organizer of the course	Title of the course	training hours
Chairman	Ching-Yi Chang	Securities & Futures Institute	Legal issues to be noted by directors and supervisors of publicly listed companies.	3
		Taiwan Securities Association	Commercial bribery and whistle system and practical analysis.	3
		Taiwan Securities Association	Strategy and trend of global economy investment.	3
Vice Chairman	Wei Lin	Taiwan Corporate Governance Association	Trend of business tax affairs management in the post-pandemic era.	3
		Taipei Exchange	Seminar for directors and supervisors for promoting corporate governance and integrity in 2020.	3
Director	Jerry Yang	Accounting Research and Development Foundation	Advance training course for accounting directors at securities exchange market for issuers.	12
Director	Yong Hong Lu	Securities & Futures Institute	Legal issues to be noted by directors and supervisors of publicly listed companies.	3
		Accounting Research and Development Foundation	Investigation of capital flowing in financial fraud and discussion on cases of relevant legal responsibilities.	3
Independent director	James Wang	Securities & Futures Institute	Reducing minimum advance governing course hours for directors and supervisors (including the independent directors and supervisors) at Securities & Futures Institute.	3
		Taipei Exchange	Seminar for directors and supervisors for promoting corporate governance and integrity in 2020.	3
Independent director	Bob Tseng	Accounting Research and Development Foundation	Analysis of common mistakes of corporate governance and relevant laws.	3
		Accounting Research and Development Foundation	Improvement of Ability of financial report editing: Internal control and audit and information technology.	3
Independent director	Yong Chang Chen	Taiwan Corporate Governance Association	Authorization of biotechnology corporates and merger operation.	3
		Securities & Futures Institute	Conference of advanced governing issues for directors and supervisors (including the independent directors and supervisors)—discussion on competency of the BOA under corporate fraud prevention.	3

## D. Remuneration Committee

### 1. Information Regarding Remuneration Committee members

Position	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Note
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who has passed a National Examination and been awarded a certificate in a profession necessary for the business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent director	Bob Tseng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	—
Independent director	Yong Chang Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	4	—
Independent director	James Wang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	—

Note: Respective Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

- (1) Not an employee of the company or any of its affiliates;
- (2) Not a director or supervisor of the company or any of its affiliates (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.);
- (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 any of the officer in the preceding 1 subparagraph, or of any of the above person in the preceding subparagraphs 2 and 3;
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings or is assigned to be company director or supervisor according to Paragraph 1 or 2, Article 27 of the Company Law. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.)
- (6) Not a director, supervisor or employee of other companies who controls more than 50% of the percentage of company's directors or shares with voting right. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.)
- (7) Not a director, supervisor, employee of other companies or institution who is the person or spouse of the company's chairman, general manager or employee in the same position. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.)
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company. (Not applicable in cases when the specified company or institution holds the amount of issued shares for 20% to 50% and where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.)
- (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000";
- (10) Not been a person of any conditions defined in Article 30 of the Company Law.

## 2. Authority of the Company's Remuneration Committee

- (1) Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors and managerial officers, and disclose the contents of the performance assessment standards in the annual report.
- (2) Periodically assessing the degree to which performance goals for the directors and managerial officers have been achieved, setting the types and amounts of their individual compensation based on the results of the reviews conducted in accordance with the performance assessment standards.

## 3. Information about Implementation of Remuneration Committee

- (1) There are 3 members in the Remuneration Committee of the Company.
- (2) Term of the third session of remuneration committee members: from May 20, 2020 to May 19, 2023. A total of 2 meetings were held in 2020. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in person	By proxy	Attendance Rate (%)	Notes
Convener	Bob Tseng	2	—	100%	—
Member	Yong Chang Chen	2	—	100%	—
Member	James Wang	2	—	100%	—
Other mentionable items:					
1. The situation where the board of directors declines to adopt or modifies a recommendation of the remuneration committee: None.					
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:					
Date	Content of motion and follow up treatment		Resolution	The company's responses to the opinion of remuneration committee	
June 3, 2020	(1) Proposal of managers allocated restricted stock awards and employee dividends. (2) Allocation of remuneration for the Company's directors in 2019.		The proposals were unanimously adopted by all committee members.	The proposal was unanimously adopted by all attendees at the Board of Directors meeting.	
December 30, 2020	Announcements: (1) Report on implementation of the resolution at the previous remuneration committee meeting.		-	-	



E. Fulfillment of corporate social responsibility, the difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and the relevant factors

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
1. Does the company follow the significance principle, conduce risk evaluation related to environmental, social, and corporate governance issues, and figure out relevant risk management policies or strategies?	✓		The Company examines its operational and business features and assures each risk level in different risk dimensions are involved in the process of risk recognition. According to materiality principle, the risks can be classified into 5 dimensions, which are strategic, business, financial, hazardous event and legal dimensions. Besides, the Company's risk management policies are pursuant to the Company's management guidelines or policies to define different categories of risks, establish the system of risk management for early recognition, accurate measurement, efficient supervision and strict control, prevent possible loss in a tolerable risk level, and continuously improve the best practices of risk management adapting to the change of internal and external environment. The Company conducts the above actions in order to protect the benefits of its employees, shareholders, business partners and customers, increase the Company's value and optimize resource allocation.	None
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		The Company has established a Corporate Sustainability and Nomination Committee, chaired by the Company's Chairman. There are functional groups under the Committee, including "Sustainable Management, Sustainable Supply Chain, and Corporate Care and Risk Management". Each of the group does their part in promoting relevant implementation of environment, society, supply chain management, integrity and risk, leading the Company to improve the sustainable development and achieve its short/long-term goals. It regularly reports the implementation plans and results to the Board of Directors every year. For the most recent implementation status of Corporate Sustainability and Nomination Committee, please refer to the Company website ( <a href="http://www.lmcc.com.tw/">http://www.lmcc.com.tw/</a> ) "About LandMark/ Corporate Governance/ Implementation of Corporate Governance" (in Mandarin)	None
3. Environmental Issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		The Company follows the environmental protection regulations of the authorities to establish environmental management system. In addition, it is certified by the ISO 14001 environment management system and establish the following security policies: • To make the best use of resources, saving energy and reducing wastes, and to reduce	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																		
	Yes	No	Summary																			
			the impact of pollution on the environment. <ul style="list-style-type: none"> <li>• To respect life, risk management and control, and to reduce the impact of hazards on staffs.</li> <li>• To keep improving regulatory compliance, and to assist the implementation of Environmental Safety and Health Policy.</li> <li>• To strengthen the promotion, the prevention of pollution, the implementation of the management system.</li> <li>• To implement training, observe safety, and to develop the culture of a healthy and safe workplace.</li> <li>• The full participation, sustainable development, to achieve the environmentally, safely and economically three wins goal.</li> </ul>																			
(2)Does the company devote itself in improving the efficiency of each resource and use the renewable ingredients to minimize the impact on the environment?	✓		The Company is actively promoting measures to improve efficiency of resource usage, including: (1) Water and electricity conservation projects; (2) Electronic document and recycling paper; (3) Recycling resources and sorting wastes.	None																		
(3)Does the company evaluate the present and future potential risks and chances at that climate change brought on the company and take measures accordingly?	✓		The Company shows care about climate changes and pays attention to changes in the domestic and foreign laws. Meanwhile, it refers to the structure of Task Force on Climate-related Financial Disclosures (TCFD), which was publicized by Financial Stability Board (FSB), to make plans in response to the risk of climate change. Please refer to page 35 to 36 of the Corporate Social Responsibility Report in 2019 for details.	None																		
(4)Does the company record the mass of greenhouse gas emission, water consumption amount, and total weight of its waste over the past two years and formulate policies to reduce carbon emission, reduce greenhouse emission, conserve water, and manage other waste items?	✓		<div>                         1. The greenhouse emission (CO2) amounted to approximately 8,073 tons and 10,656 tons in 2019 and 2020 respectively, which is illustrated as below:                         <table> <tr> <th colspan="2">Year</th> <th colspan="2">2019</th> <th colspan="2">2020</th> </tr> <tr> <th>Category</th> <th>Source</th> <th>Carbon dioxide equivalent (tons of CO2e/ year)</th> <th>Percentage (%)</th> <th>Carbon dioxide equivalent (tons of CO2e/ year)</th> <th>Percentage (%)</th> </tr> <tr> <td>Direct</td> <td>• Stationed:</td> <td>134</td> <td>1.7</td> <td>280</td> <td>2.6</td> </tr> </table> </div>	Year		2019		2020		Category	Source	Carbon dioxide equivalent (tons of CO2e/ year)	Percentage (%)	Carbon dioxide equivalent (tons of CO2e/ year)	Percentage (%)	Direct	• Stationed:	134	1.7	280	2.6	None
Year		2019		2020																		
Category	Source	Carbon dioxide equivalent (tons of CO2e/ year)	Percentage (%)	Carbon dioxide equivalent (tons of CO2e/ year)	Percentage (%)																	
Direct	• Stationed:	134	1.7	280	2.6																	

Evaluation Item	Implementation Status						Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons									
	Yes	No	Summary													
			Emissions	Emergency Power System • Mobile: Company cars • Diffusion: fire control facility • Process: Etching process												
			Indirect emissions	Purchased electricity	7,939	98.3	10,376	97.4								
			Total Greenhouse Gas Emission		8,073	100	10,656	100								
			2. The Company’s water consumption over the past two years:													
			Unit: ton													
			<table><tr><td>Year</td><td>2019</td><td>2020</td></tr><tr><td>Consumption of tap water</td><td>35,501</td><td>53,678</td></tr></table>							Year	2019	2020	Consumption of tap water	35,501	53,678	
			Year	2019	2020											
			Consumption of tap water	35,501	53,678											
			3. The total weight of the Company’s waste over the past two years:													
			Unit: tons													
<table><tr><td>Year</td><td>2019</td><td>2020</td></tr><tr><td>Hazardous business waste</td><td>129.02</td><td>100.50</td></tr><tr><td>Regular business waste</td><td>22.20</td><td>28.10</td></tr></table>							Year	2019	2020	Hazardous business waste	129.02	100.50	Regular business waste	22.20	28.10	
Year	2019	2020														
Hazardous business waste	129.02	100.50														
Regular business waste	22.20	28.10														

Evaluation Item	Implementation Status					Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary			
			Total	151.22	128.60	
			4. The Company has established goals for reduction of carbon emissions as below: (1) To regularly track the consumption of paper and promote paperless operational procedure. A limit is set for access to the use of copy machine to reduce 20% of paper consumption annually. (2) The waste water would be treated by waste water system to ensure the emitted water fulfills the waste water regulations. The Company should inspect the water sample to ensure the water quality requirement would not be violated for over 1 time per season. (3) To improve the lighting and air conditioning equipment to enhance energy consumption efficiency by gradually investing energy efficient facilities such as LED lighting, high-efficiency motor and frequency-variable drive for chilling machines...etc. 5. The Company has obtained permission for fixed source of pollutant emission. The emitted wastes, such as volatile organic compounds, acidic gas and particulate matters would be emitted following the environmental protection laws. The Company also submits air pollution control fee each quarter.			
4. Social Issues (1)Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		The Company has established and implemented labor management system and procedure according to Labor Standards Act and internationally recognized human right principles to ensure the legal rights and non-discriminatory treatment of the employees. Meanwhile, we also take Responsible Business Alliance (RBA) as reference to stipulate internal code of conduct for management. The Company has established the labor policies as below: • No forced, debt bonded, indentured or involuntary labors shall be used. • No child labor is allowed. • Working hours and recess time shall be in compliance with the Labor Standards Act. • Wages and benefits paid to employees shall be in compliance with all applicable laws and regulations. • All employees shall be respected and fairly treated. There is to be no inhumane			

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			<p>treatment including any harsh punishment, humiliation or abuse.</p> <ul style="list-style-type: none"> <li>• Equal job opportunities are provided to both the candidates and each employee. We shall not engage in discrimination based on race, color, age, gender, sexual orientation, national origin, disability, pregnancy, religion, political affiliation, union membership or marital status in hiring and employment.</li> <li>• We respect the right of all workers to form and join union in conformance with laws, to openly communicate with management regarding working conditions without fear of reprisal, intimidation or harassment.</li> </ul>	
(2) Does the company establish and implement reasonable employee compensation policies (including the remuneration, leave policies, and other welfares) and offer incentives according to operational performance or outcome?	✓		The Company observes Labor Law, RBA Principles, and relevant regulations to establish policies of remuneration for its staff. The initial salary, wage adjustment, promotion, job allocation, and on-the-job training measures are taken based on the average wage level and the overall economic indicators as well as the performance management mechanism, which serves as the incentives for the employees. The managerial staff would distribute bonuses and determine the amount according to the business performance with consideration of job obligations, contribution, and outcome of performance evaluation of each individual. The Company also offer timely incentive bonuses to employee with outstanding business performance as a reward to their devotion that could bring profit for the Company.	None
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		<ol style="list-style-type: none"> <li>1. The Company offers a comfortable, safe, and healthy work environment for the employees. It has door access control, safety inspection of the work environment, regular labor safety training, ban on smoking indoors, employee lounge, free laundry delivery for operators, etc.</li> <li>2. The Company offers health check to the employees each year, and it invites professional physicians to the factory area regularly for health management and promotion tasks, including health consultation, health care, analysis on special hazardous procedures, review and consultation regarding health check items, etc.</li> <li>3. The Company emphasizes the safety of the employees, and it organizes the drills for unexpected evacuation, fire drills, and at least two drills for emergency response each year.</li> <li>4. The Company has established the following work safety rules for hazardous workplace:</li> </ol>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons			
	Yes	No	Summary				
				Operation item	Potential hazard	Safety measures	
				Change of steel gas container	Inhaling hazardous gas	(1) The operator should wear protective respirator device. (2) The operators should work in pairs.	
				Operation of X-Ray machines	Radiation is hazardous to human body	(1) The machine passed the safety test. (2) Only certified radiation machine operator can conduct the task. (3) The operator should work with a radiation meter.	
				Treatment of chemicals	Skin exposure /inhaling hazardous gas	(1) The operator should wear protective gadget. (2) The task should be conducted in the fume hood. (3) The company should have professional inspection institutes to conduct environmental inspection regularly.	
				Cleansing components of equipment and machine	Skin exposure /inhaling hazardous gas	(1) The cleansing area is equipped with hazardous gas detector, and the alarm goes off when density of hazardous gas exceeds the standard. (2) The cleansing area is a negative pressure isolation room so as to prevent leak of toxic particles. (3) The operators should wear protective gloves, aprons, and protective respiratory gadgets. (4) The operation is conducted in the fume hood.	
			5. The Company adopts the following workplace safety measures:				

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
			<ul style="list-style-type: none"> <li>• The company examines the E. Coli in water from the water fountain every two months.</li> <li>• The fire gadgets and equipment are checked monthly (eg. fire extinguishers, emergency illumination, fire detector, fire announcement system, etc)</li> <li>• The company designates a professional institute to conduct work environment inspection every six months (including aspects of chemicals, noise, CO2, illuminance, etc.)</li> <li>• The company organizes drills for evacuation during emergencies every six months.</li> <li>• The company conducts sterilization to eliminate mosquitos around the factory area every six months.</li> <li>• The company inspects and report the condition of fire prevention facilities and safety equipment in the building every year.</li> <li>• The company implements door access control to dangerous areas such as fume rooms, electronic machine chamber, and cooling water facilities; non-relevant areas are kept off from the areas.</li> </ul>	
(4)Does the company provide its employees with career development and training sessions?	✓		The Company provides individualized and sustainable working environment based on employees' career development to enhance their professional skills. It makes everyone's effort earned recognized and to gain self-confidence and get a sense of achievement from work. The Talent Cultivation Project includes three aspects: Off-Job Training (Off-JT), On-the-Job Training (OJT), and Self-Development (SD). The Company provides internal/ external training resources, and encourages employees to keep improving professional knowledge and cross-field knowledge.	None
(5)Does the company follow relevant laws and international guidelines to establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		<p>1. The Company devotes itself in devoting and innovating the manufacturing techniques to offer high-quality products to the clients.</p> <p>The Company has passed the following inspections regarding the quality management system and environmental protection management system by relevant professional inspecting institutes:</p> <p>(1) ISO9001 Quality management systems</p> <p>(2) ISO14001 Environment management systems</p> <p>(3) IECQ QC080000 Hazardous material management system</p> <p>2. The Company doesn't have the clients who are the ultimate consumers, but is has</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			proper communication channel and treatment procedure to deal with customers' complaints with transparent and effective methods.	
(6) Does the company follow relevant laws and international guidelines to establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		The Company evaluates its suppliers according to the Company's “Supplier management procedures”. The Company conducts annual evaluation on the suppliers' environmental protections procedures as well as health management system. Hopefully, the Company can promote the ideas of environmental protection and safety management through the supplier management procedures. Should the suppliers have significant impacts on the society due to its inappropriate conducts regarding labor human right and environmental pollution, the Company would investigate the condition and consider the possibility of terminating or lifting the contract.	None
5. Does the Company compile CSR report to reveal the non-financial information following the guidelines for internally-accepted report format? Is the above-mentioned report assured or certified by a third-party inspector?	✓		The Company issued the 2019 CSR report which is compiled in the format of the GRI Standards publicized by the Global Reporting Initiative. The report has not been certified by an external institute. It will have the CSR report properly assured or certified by the third-party inspection institute.	None
<p>6. Corporate Governance Implementation Status. Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”, and the reasons:</p> <p>The Company has established the “Corporate social responsibility principals.” The Company is aware of its social responsibility as a corporate member of the country. So, it takes CSR issues into consideration when designing the corporate system or planning for the operational strategies. It has devoted positive devotions in implement proper measures in terms of corporate governance, sustainable development, social welfare, and revelation of the Company's corporate social responsibility. The Company also incorporate positive and humane perspectives into the corporate culture. Therefore, there is no significant deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”</p>				
<p>7. Other important information to facilitate better understanding of the Company's corporate social responsibility practice:</p> <p>(1) The factory area of Company is managed by the administrative of the science park according to the relevant laws. It also applied to Environmental Protection Bureau for the Permit of water pollution prevention.</p> <p>(2) The waste generated in the manufacturing procedure is transported and treated by qualified institutes according to the environmental protection regulations.</p> <p>(3) The Company is certified by the ISO14001 environment management system, and it adopts comprehensive operational mechanism regarding the industrial impact on the environment as well as sorting, managing, and reusing the industrial waste.</p>				



Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
<p>(4) The Company promotes electronic document. The Company has adopted the electronic document exchange system to save time on transmitting messages, reduce paperwork, and eliminate postage expenses. The white side of the abandoned document is reused to reduce the consumption of paper.</p> <p>(5) The Company has control over temperature to make effective energy to reduce carbon emission.</p> <p>(6) No use of conflict minerals: The Company fulfills social corporate responsibility and respect human right, and it shows concerns over the issues of conflict minerals. The company supports strategy, conducts, and commitments regarding conflict minerals of the RBA and GeSI: it wouldn’t procure the conflict minerals from controversial regions, requires the suppliers to refuse using the conflict minerals from the controversial areas, and requires its suppliers sign on the letter of commitment for pass such requirement to the upstream supplier.</p> <p>(7) Care for employees: The Company has established the Committee of Employee’s Welfare to organize various events, such as Family Day, Moon Festival Barbecue Party, and other employee welfare activities. The Company signed contracts with chartered stores and organizes club activities such as jogging groups to enhance the life-work balance of the employees.</p> <p>(8) Establishment of employee emergency fund: In order to provide assistance and express concerns by the Company when emergency happens to its employees, the Chairman donates NT\$ one million every year to establish the emergency fund for the purpose of emergency financial assistance.</p> <p>(9) Childcare allowance: To reduce the childcare burden, employees who have 0 to 3-year-old children are entitled to receive NT\$ 2,000 of childcare allowance for one child each month.</p> <p>(10) On-the-job training grants: To cultivate talents in technology and management field, the Company encourages employees to be on-the-job training in relevant professional areas to increase the Company’s competitive advantages in the industry. The Company provides on-the-job training tuition grants for In-service Master’s/ Doctoral Program.</p> <p>(11) Human right: The Company respects human rights of all colleagues. It offers fairs and suitable job opportunities for all job applicants and employees regardless of their ethnicity, religious beliefs, political parties, gender, marital status, physical challenges, and other factors that is regulated to be non-discriminatory factors in relevant laws. The principle is applicable to recruitment, appointment, training, promotion, remuneration, and welfare of the employees. The Company observes local laws and regulations, practices “Human Right Policy” prohibiting all forms of forced labor; it never forces or threatens any involuntary personnel to work.</p> <p>(12) Social Welfare: The Company worked with Tainan Education and Nursing Institution to organize “LandMark ♥ Sharing” activity and donate goods the Institution require to help the residents having a better quality of life.</p> <p>(13) Other Events of Social Responsibility: The Company has a designated person to collect and reveal relevant information of the Company for publication on the Market Observation Post System so as to ensure that the significant information for decision making is accessible to shareholders and stakeholders in a timely manner.</p>				

F. Ethical Corporate Management Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
1. Establishment of ethical corporate management policies and programs (1) Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		The Company has established and revealed on the Company's website its “Ethical Corporate Management Best Practice Principles” and “Guidelines for the Codes of Ethical Conduct.” It has also established the protocols for internal operation and internal control system. The inspections on various tasks are conducted periodically and such conditions have been reported to the Board of Directors’ meeting. The above-mentioned practice is taken as the reference for ethical operation, which manifests the commitment of the Board as well as the managerial staff to realize ethical business operation.	None
(2) Does the Company establish appropriate system to analyze risks of unethical conducts, periodically analyze and evaluate business activities with high potential for unethical conducts and establish prevent measures accordingly, or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has stipulated prevent measures in various internal control regulations against the unethical and risky business activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.	None
(3) Does the Company establish and implement the operational procedures, conduct guidelines, penalty for violation of rules, and complaint mechanism to prevent unethical behaviors and regularly review and amend the existing practice?	✓		The Company has distributed the card of corporate policies to the employees, and the following ethical policies have been specified: <ul style="list-style-type: none"> <li>• All business dealings should be performed transparently and honestly.</li> <li>• Any conflict-of-interest activities should be strictly forbidden.</li> <li>• Obtaining or giving improper gift or advantage should be</li> </ul>	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>avoided.</p> <ul style="list-style-type: none"> <li>• Any bribery, corruption, extortion and embezzlement should be strictly prohibited.</li> <li>• The publicly-disclosed information should be honest and intact.</li> <li>• Any personal privacy and business information from customers or suppliers should be well protected.</li> <li>• Maintain the confidentiality of company sensitive information and data.</li> <li>• Respect the intellectual property rights.</li> <li>• Zero tolerance to retaliation.</li> <li>• Enhance our ethical quality.</li> <li>• Comply with applicable local laws, regulations, international standards and customer requirements.</li> </ul> <p>Any case of violating the legal regulations or the guidelines and protocols should be reported through the established channel, and penalty would be imposed on the violators accordingly.</p>	
2. Fulfill operations integrity policy (1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		The Company reviews its business partners. It conducts credit investigation on the clients and evaluates its suppliers to avoid any unethical business activities. It also takes steps to include terms to specify the credit conducts in contracts of transactions with its business partners.	None
(2) Does the Company establish an exclusively dedicated unit supervised by the Board to be in charge of corporate integrity, and periodically (at least once a year) report to the Board about its integral policy for management, the policy to prevent unethical conducts, and how the implementation is being supervised?	✓		The administrative department of the Company is concurrently in charge of promotion of corporate ethical operation affairs. A report about condition of implementing corporate ethical operation is made to the Board of Directors, and the most recent report was made on the Board of Directors meeting on December 30, 2020, which mainly covers the following content:	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			1. The promotion of ethical practice policy. 2. Establishment of whistle-blowing system: The Company has established “Complaint / Reporting Handling Procedure” and “Whistle Blower Protection Procedure” Also, opinion boxes, a designated phone line, and a special email box (publicized on the Company's official website) for receiving complaints have been established; the reporter and the content of the complaint would not be revealed. 3. Effective operation of the preventive measures to ensure ethical operation. A section of the Company's official website is designated for stakeholders including the employees, shareholders, and other stakeholders as a communication channel regarding illegal and unethical conducts. 4. No case of violating ethical operation principles have been detected in 2020, and no internal / external report letter or legal cases have been received.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		The Company has established “Rules of Procedure for Board of Directors Meetings,” which specify the principles for directors to avoid conflict of interest. The directors can state opinions and make responses to questions about motions on the Board of Directors meeting, but they should refrain from any discussion about affairs related to interest of the person or the corporate shareholder represented by the director. Neither could a director vote on behalf of other directors for any of such issues.	None
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors	✓		The Company has established and implemented the internal control system. The internal audit staff would review the risk evaluation result annually, strengthen the preventive	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
or CPAs on a regular basis?			measure accordingly, review whether the audit system is appropriately followed regularly, and report such conditions to the audit committee and the Board periodically. The company also review and amend the system as well as relevant practice to ensure proper corporate governance and internal risk control. Such conditions would be referred to when evaluating the effectiveness of internal control system and compiling statement for implementation of internal control system.	
(5)Does the company regularly hold internal and external educational trainings on operational integrity?	✓		In 2020, a total of 317 persons/ times, 363 hours of educational training, organized inside and outside the Company (including the training sessions regarding conducts to follow the ethical management regulations, the annual RBA educational training related to labor and moral conduct, and other courses related to accounting and internal control system), have been taken by the employees of the Company.	None
3. Operation of the integrity channel (1)Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		The Company has established the report channel and reveals in its ethical corporate management best practice principles as well as the employee code of conduct that any case that is reported to violate the above-mentioned principles will be investigated. The accused individual is allowed to appeal, while the convicted individual will receive penalty according to the above-mentioned principles.	None
(2)Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		The Company has established a system to receive report about violations, to record the investigation process, and retain such records. The reporters' identity and the content will be kept secret. Necessary follow-up procedures will be taken according the seriousness of the case. Major cases will be reported to the authorities or be reported to the judiciary system.	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(3) Does the company provide proper whistleblower protection?	✓		The Company has stated the measures to protect reporters of inappropriate conducts from mistreatment.	None
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		The Company has established the “Ethical Corporate Management Best Practice Principles”, and such principles have been publicized the Mandarin version in the section designation for “About LandMark / Corporate Governance” on the Company's official website so as to enhance the ethical ideas about proper management.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. The Company observes the established the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and relevant regulations to establish the “Ethical Corporate Management Best Principles.”				
6. Other important information which helps to understand the implementation of the Company's ethical management: (E.g. the Review and amendment of the Company's Ethical Management Best Practice Principles): (1) The Company observes Company Law, Securities and Exchange Act, Business Entity Accounting Act, relevant regulations for TWSE/TPEX Listed Companies, and other business-related laws to implement ethical management practices. The Company keeps up with the development of ethical management norms in the domestic and overseas environment and encourages the directors, managers, and employees to offers suggestion for better measures to promote the policies of ethical management to enhance effectiveness of such policies. (2) The “Rules of Procedure for Board of Directors Meetings” specifies that directors should avoid conflicts of interest. A director can state their opinions about issues of which he is a stakeholder or has impact on the Company's profits, but cannot participate in the discussion or vote about such issues. They could not vote on behalf of other directors, either. Also, independent directors' opinions should be considered; such opinions should be retained and recorded in the memorandum of the Board of Directors meeting. (3) The Company has established the “Procedure for prevention of insider trading” with provisions state that directors, managers, and employees should not reveal the confidential internal information to others, inquire about the unpublicized information of the Company which is not related to the individual's job from the person who is acquainted with the information, or reveal to others the Company's unpublicized confidential internal information which is acquisition outside the business-related occasions.				

G. Access to the Company's Governance Guidelines and relevant regulations:

Please refer to the section designated for "About LandMark/Corporate Governance/Relevant regulations of Corporate Governance" of the Company's website (<http://www.lmoc.com.tw/>) or Market Observation Post System (MOPS) (in Mandarin).

H. Other important information about the corporate governance of the Company:

1. The company makes timely disclosure of significant information to investors, and conventions for corporate shareholders are held regularly for explanation about the condition of the Company's operation.
2. Information about the operation of remuneration committee, audit committee, and the Board of Directors has been revealed on the Company's official website (<http://www.lmoc.com.tw/>).

## I. Implementation of internal control system

### 1. Statement of Internal Control

#### LandMark Optoelectronics Corporation Statement of Internal Control System

Date: February 3, 2021

LandMark Optoelectronics Corporation had inspected the 2020 internal control system autonomously with the results illustrated as follows:

- (1) LandMark Optoelectronics Corporation is fully aware that the board of directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it is established accordingly. The purpose of establishing the internal control system is to reasonably ensure the fulfillment of operation effect and efficiency (including profit, performance, and protection of assets safety), financial report reliability, and compliance.
- (2) The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. The internal control system of LandMark Optoelectronics Corporation is designed with a self-monitoring mechanism; therefore, corrective actions will be activated upon identifying any nonconformity.
- (3) LandMark Optoelectronics Corporation has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" (referred to as "the Regulations" hereinafter). The criteria defined in "the Regulations" include five elements depending on the management control process: (1) environment control, (2) risk assessment, (3) control process, (4) information and communication, and (5) supervision. Each of the five elements is then divided into a sub-category. Please refer to "the Regulations" for details.
- (4) LandMark Optoelectronics Corporation has implemented the criteria of the internal control system referred to above to inspect the effectiveness of internal control system design and implementation.
- (5) LandMark Optoelectronics Corporation based on the inspection result referred to above has concluded that the internal control system (including the supervision and management over the subsidiaries) on December 31, 2020 is reasonably effective in achieving the objectives of operation effect and efficiency, financial report reliability, and compliance.
- (6) The statement of Internal Control System is the main content of the Company's annual report and published prospectus. Any falsification and concealment of the published content referred to above involves the liability illustrated in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
- (7) The statement of Internal Control System was resolved in the board meeting with the objection of 0 board directors out of the 7 attending board directors on Feb. 3, 2021. The content of the statement has been accepted without any objection.

LandMark Optoelectronics Corporation

Chairman: *Ching-Yi Chang*

General Manager: *Roger Lo*

2. On condition that the Company designates a CPA to audit the internal control system, the CPA's audit report should be revealed: None.



J. Punishment on the Company and its employees for violations of laws or regulations of the Internal Control System, major breaches, and compensation measures in the previous year before the printed date of the Annual Report: None.

K. Important resolutions on meetings of Shareholders and the Board in the most recent fiscal year until the printing date of the annual report:

1. Shareholders' meeting

Date	Important resolutions	Status
Shareholders' meeting on May 20, 2020	Proposed Resolutions 1. 2019 business report and financial statement.  2. 2019 Earnings Distribution.	1. The Company has reported and revealed relevant content on the Company's website. 2. The Company has designated July 4, 2020 as the date of cash dividend. Cash dividend was distributed on July 22, 2020 (the cash dividend per share is NT\$ 4)
	Matters for Discussion and Election 1. Amendment on the "Rules of Procedure for Shareholders Meeting" 2. Issuance of the Employee Restricted Stock Awards (RSAs).  3. Election of the 10th Board of Directors (including the Independent Directors).  4. Release of non-competition restrictions on new directors and their proxy.	1. The Company has declared according to the relevant regulations. 2. The Company has designated August 25, 2020 as the date for stock increasing. The Southern Science Park Bureau has been registered equity changed on September 11, 2020. 3. The Southern Science Park Bureau has been approved registered on June 5, 2020 and declared according to the relevant regulations. 4. The Company has declared according to the relevant regulations.

2. Board of Directors' meeting

The Company has convened 8 Board of Directors Meetings in 2020 up to the printing date of the annual report, and the important resolutions are summarized as below:

Date	Major resolutions
February 5, 2020 The 17th meeting of the 9th session	1. Adoption of 2020 operation plans and budgets. 2. Adoption of the 2019 remuneration for Directors and Employees. 3. Adoption of the 2019 financial statement and business report. 4. Adoption of 2019 distribution of earnings. 5. Adoption of the 2019 "Statement of Internal Control System". 6. Amendment on part of the provisions in Article of Internal Management. 7. Amendment on part of the provisions in the Company's "Regulations of Board Meeting". 8. Amendment on part of the provisions in the Company's "Rules of Shareholders Meeting". 9. Adoption of the Company's Cancellation on the Restricted Stock awards. 10. Adoption of the Company's articles of restricted stock awards publishing. 11. Adoption of the Company's proposal of the re-election for term expired director. 12. Adoption of nomination for the Company's proposal of the tenth director (including independent director) candidates. 13. Adoption of the proposal of new director dismissal and non-competition of the representatives. 14. Adoption of the proposal of changing CPAs and the independence evaluation.

Date	Major resolutions
	15. Adoption of affairs about the 2020 Shareholders' meeting.
April 29, 2020 The 18th meeting of the 9th session	1. Amendment on part of the provision on the "Guideline of Audit Committee Organization". 2. Amendment on part of the provision on the "Guideline of Remuneration Committee Organization". 3. Adoption of the proposal of production equipment procurement. 4. Adoption of the Maximum amount of credited line extended by the bank. 5. Adoption of the Company's CSO appointment.
May 20, 2020 The 1st meeting of the 10th session	1. Adoption of the Company's election of the Board of Director of the 10th session. 2. Adoption of the Company's election of vice chairman. 3. Adoption of appointment of remuneration committee member of the third session.
June 3, 2020 The 2nd meeting of the 10th session	1. Adoption of the relevant matters of the Company's distribution date of cash dividends. 2. Adoption of the financial amount addition by the bank. 3. Adoption of the proposal of "Rules of 2020 Restricted Stock Awards Issuance". 4. Adoption of the proposal of production equipment procurement. 5. Adoption of the Company's register of 2020 acquiring restricted stock awards issuance and dividends of Managerial staff. 6. Adoption of the Company's 2019 remuneration for Directors.
July 29, 2020 The 3rd meeting of the 10th session	1. Cancellation of the Company's Restricted stock awards for capital reduction. 2. Adoption of the Company's 2020 Restricted Stock Awards date of capital increase stipulation.
October 28, 2020 The 4th meeting of the 10th session	1. Amendment on part of the provisions in the Company's "Procedures for Election of Directors". 2. Amendment on part of the provisions in the Company's "Corporate Governance Best Practice Principle", "Procedures for Ethical Management and Guidelines for Conduct", "Corporate Social Responsibility Best Practice Principles" and "Guidelines for the Codes of Ethical Conduct". 3. New stipulation of the Company's "Risk Management Policy". 4. Adoption of the rename from "Corporate Sustainability Committee" to "Corporate Sustainability and Nomination Committee" and appointment of committee member of the second session. 5. Amendment on the Company's "Corporate Sustainability Committee Organization Guideline". 6. Adoption of the Maximum amount of credited line extended by the bank.
December 30, 2020 The 5th meeting of the 10th session	1. Adoption of the Company's 2021 audit plan. 2. Adoption of the Company's 2021 operational budget. 3. Adoption of the Maximum amount of credited line extended by the bank.
February 3, 2021 The 6th meeting of the 10th session	1. Adoption of the Company's 2020 Statement of Internal Control System. 2. Adoption of the Company's 2020 remuneration for directors and employees. 3. Adoption of the Company's 2020 financial statement and business report. 4. Adoption of the Company's 2020 Distribution of earnings. 5. Cancellation of the Company's Restricted stock awards for capital reduction. 6. Adoption of the evaluation of appropriateness and independence of the CPA and appointed remuneration. 7. Adoption of the matters of the Company's 2021 shareholders regular meeting.

- L. If the directors' or supervisors have objective opinion on important resolutions of the Board's meeting which have been documented or made into written statements in the last year and in the current year up to the printing date of annual report, the important content should be reported: None.
- M. If any resignation or dismissal of the Company's chairman, general manager, chief accounting officer, chief financial officer, chief internal audit officer, chief corporate governance officer, or chief research and development officer has occurred in the last year and in the current up to the printing date of annual report, summary of such cases should be made: None.

v. Information on CPA Professional Fees

Title of the CPA agency	Name of CPA		Audit Period	Remark
KPMG Taiwan	Yen-Da Su	Chen-Lung Hsu	2020.1.1~2020.12.31	-

Units: NT\$ thousands

Range of amount		Items	Audit fees	Non-audit Fees	Total
1	Under 2,000,000 NT dollars		V	V	V
2	2,000,000~3,999,999 NT dollars		-	-	-
3	4,000,000~5,999,999 NT dollars		-	-	-
4	6,000,000~7,999,999 NT dollars		-	-	-
5	8,000,000~9,999,999 NT dollars		-	-	-
6	Over 10,000,000 NT dollars		-	-	-

A. If the non-audit fee paid to the CPA, the CPA agency, and its affiliated companies takes up over 1/4 of the audit fee, the amount of audit fees and non-audit fees as well as the non-audit service should be disclosed:

Units: NT\$ thousands

Title of CPA Agency	Name of CPA	Audit fee	Non-Audit fee					Audit period	Remark
			System design	Corporate Registration	Human resource	Others	Subtotal		
KPMG Taiwan	Yen-Da Su	1,530	-	40 (Note1)	-	70 (Note2)	110	2020.1.1~2020.12.31	-
	Chen-Lung Hsu								

Note 1: The public fee for registering the application for director election and changing equity.

Note 2: The public fee for applying for publishing restricted stocks awards.

B. If the Company changes the CPA agency and the audit fee is lower than the previous year, the amount of audit before and after changing the CPA agency and reasons for changing the CPA agency should be disclosed: None.

C. If the audit fee decreases by 10 percent or more compared with the previous years, the reduced amount, proportion, and reasons of reducing the audit fee should be disclosed: None.

vi. Information on Replacement of Certified Public Accountant

A. Information about the Former CPA

Date of Changing CPA firms	February 5, 2020		
Reasons for Changing the CPA firms	The main reason for the Company to change the CPA from 2020 is to go along with the CPA firms' internal occupation adjustment.		
Illustration about termination of the term of CPA or declining the appointment	<div>The involved party</div> <div>Condition</div>	CPA	Appointer
	Termination of appointment	Not applicable.	Not applicable.
	Declining the extension of the appointment	Not applicable.	Not applicable.
The review report stating opinions other than unqualified opinion and the reasons over the past two years	Not applicable.		
Any disagreement on the issuers' opinions	Yes		Accounting principle and practice
			Disclosure of financial statement
			Range and steps of auditing measures
			Others
	No	✓	
	Illustration		
Disclosure of other matters (Content that should be disclosed according to Article 10, subparagraph 6, item 1-4 to item 1-7 of the Guidelines)	None		

B. Information about the successive CPA

Title of the CPA firm	KPMG Taiwan
Name of CPA	CPA Yen-Da Su, CPA Chen-Lung Hsu
Appointment Date	February 5, 2020
The suggested item and result about specific accounting methods or accounting principles and the financial statement before the appointment.	Not applicable
The document recording the opinions of former CPA that is disagreed by the successive CPA.	Not applicable

C. Reply of the former CPA to matters in Article 10 subparagraph 6 item 1 and item 2-3 of the Guidelines: Not applicable.

- vii. The Company's Chairman, General Manager, 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 certified public accountant or at an affiliate enterprise of such accounting firm: None.

viii. The transfer of equity interests and pledge of or change in equity interests during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

A. Changes in equity of Directors, Supervisors, Managers and Major Shareholders with more than 10% shareholdings.

Title	Name	2020		2021 (up to March 31)	
		Increase (reduction) in the number of shares in possession	Increase (reduction) in the number of pledged stocks	Increase (reduction) in the number of shares in possession	Increase (reduction) in the number of pledged stocks
Chairman	Hua Sheng International Investment, Co. Ltd.	-	-	-	-
	Representative: Ching-Yi Chang	-	-	-	-
Vice Chairman who is concurrently the CTO	Wei Lin	(11,000)	-	-	-
Director, who is concurrently the CFO and Deputy General Manager	Jerry Yang	(2,000)	-	(8,000)	-
Director	Yong Hong Lu	-	-	-	-
Independent director	Bob Tseng	-	-	-	-
Independent director	James Wang	-	-	-	-
Independent director	Yong Chang Chen	-	-	-	-
General manager	Roger Lo	10,000	-	-	-
Deputy General Manager	Komatsu Keiro	-	-	-	-
Deputy General Manager	Richard Bai	9,000	-	(1,000)	-
Assistant Manager	Shi-Ming Zhuang	-	-	-	-
Assistant Manager	Han-Ti Hsiao	6,000	-	(6,000)	-

B. The situation where recipient of the transferred equity is a related parson: None.

C. The situation where recipient of the transferred pledge is a related person: None.

## ix.Relations and Information about Top 10 Shareholders

March 28, 2021

Name	Shares in possession of the person		Shares in possession of the person's spouse or children who are minors		Shares in possession of the person registered under the name of a third-party		Names and relations of top 10 shareholders who are related persons specified in article no. 6 of the Statement of Accounting Principles, spouses, or relatives within two degrees to each other		Notes
	shares	Shareholding rate (%)	shares	Shareholding rate (%)	shares	Shareholding rate (%)	Name	Relations	
Hermes Investment Company Emerging Markets Equity Fund entrusted to Taiwan Bank	7,865,200	8.60							
Hua Sheng International Investment Co., Ltd. Representative: Zhi-Cheng Chang	7,299,640	7.99	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Nan Shan Life Insurance Company, Ltd. Representative: Tang Chen(acting person)	4,333,000	4.74	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Calvert Emerging Market equity investment fund entrusted to Germany Bank	4,284,900	4.68	-	-	-	-	-	-	
Cathy Life Insurance Co., Ltd. Representative: Tiao-Guei Huang	4,242,774	4.64	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
British Virgin Island Co., Ltd. and Plenticom Asia Limited Representative: CHENG TIM JIN	2,914,187	3.18	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Wellington trust National association emerging market combo investment fund entrusted to HSBC	2,413,372	2.64	-	-	-	-	-	-	
Hermes Investment Funds Public Limited Company entrusted to Taiwan Bank	2,352,026	2.57	-	-	-	-	-	-	
John Hancock emerging market stock individual account entrusted to City Bank	2,175,000	2.38							
BT Pension investment fund entrusted to Taiwan Bank	2,062,410	2.25	-	-	-	-	-	-	

- x. The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company: None.

## IV. Capital Overview

### i. Capital and Shareholding

#### A. Source of Capital

##### a. Issued shares

Year and Month	Issuing Price	Authorized Capital		Paid-in Capital		Remark		
		Quantity (thousands of shares)	Amount (NT\$ thousands)	Quantity (thousands of shares)	Amount (NT\$ thousands)	Source of Capital	Capital Increased by Assets Other than Cash	Others
1997/06	10	6,000	60,000	6,000	60,000	Establishment of share capital	None	Note 1
1997/11	10	10,000	100,000	10,000	100,000	Capital increase out of cash	None	Note 2
1999/01	10	11,700	117,000	11,700	117,000	Capital increase out of cash	None	Note 3
1999/08	10	31,700	317,000	19,700	197,000	Capital increase out of cash	None	Note 4
2000/08	10	31,700	317,000	31,700	317,000	Capital increase out of cash	None	Note 5
2003/10	10	35,000	350,000	33,084	330,840	Capital increase out of earnings	None	Note 6
2005/04	10	35,000	350,000	29,257	292,572	Capital increase out of collected debts	Credit	Note 7
						Capital reduction	Loss compensation	
2007/08	10	35,000	350,000	23,406	234,058	Capital reduction	Loss compensation	Note 8
2008/03	10	35,000	350,000	30,407	304,068	Merger	None	Note 9
2010/08	13.28	35,000	350,000	31,407	314,068	Capital increase out of cash	None	Note 10
2011/06	10	35,000	350,000	34,077	340,771	Capital increase out of earnings and employees' bonus	None	Note 11
2012/07	10	40,000	400,000	36,628	366,280	Capital increase out of earnings and employees' bonus	None	Note 12
2013/05	10	50,000	500,000	45,242	452,416	Capital increase out of earnings and employees' bonus	None	Note 13
2014/06	10	60,000	600,000	55,289	552,891	Capital increase out of earnings and employees' bonus	None	Note 14
2015/07	10	70,000	700,000	60,791	607,911	Capital increase out of cash	None	Note 15
2015/09	10	70,000	700,000	69,910	699,098	Capital increase out of earnings	None	Note 16
2016/08	10	100,000	1,000,000	90,883	908,827	Capital increase out of earnings	None	Note 17
2016/09	10	100,000	1,000,000	91,258	912,577	Restricted stock awards	None	Note 18
2017/02	10	100,000	1,000,000	90,608	906,077	Writing off treasury stocks	None	Note 19
2017/05	10	100,000	1,000,000	90,589	905,897	Writing off and buying back the restricted stock awards	None	Note 20
2017/11	10	100,000	1,000,000	90,573	905,732	Writing off and buying back the restricted stock awards	None	Note 21
2018/09	10	100,000	1,000,000	90,572	905,722	Writing off and buying back the restricted stock awards	None	Note 22
2018/09	10	100,000	1,000,000	90,980	909,802	Restricted stock awards	None	Note 22
2019/02	10	100,000	1,000,000	90,968	909,682	Writing off and buying back the restricted stock awards	None	Note 23
2019/06	10	150,000	1,500,000	90,951	909,512	Writing off and buying back the restricted stock awards	None	Note 24
2020/02	10	150,000	1,500,000	90,933	909,327	Writing off and buying back the restricted stock awards	None	Note 25
2020/09	10	150,000	1,500,000	90,931	909,312	Writing off and buying back the restricted stock awards	None	Note 26
2020/09	10	150,000	1,500,000	91,373	913,732	Restricted stock awards	None	Note 26
2021/03	10	150,000	1,500,000	91,369	913,692	Writing off and buying back the restricted stock awards	None	Note 27

Note 1: Admitted with (1997) Official Letter No. 175529 of Business Bureau on June 2, 1997.	Note 15: Admitted with Official Letter No. 1040019073 of southern business bureau on July 30, 2015.
Note 2: Admitted with (1997) Official Letter No. 122001 of Business Bureau on November 5, 1997.	Note 16: Admitted with official Letter No. 1040024112 of southern business bureau on September 23, 2015.
Note 3: Admitted with (1999) Official Letter No. 101147 of Business Bureau on January 12, 1999.	Note 17: Admitted with official Letter No. 1050020809 of southern business bureau on August 16, 2016.
Note 4: Admitted with (1999) Official Letter No. 129085 of Business Bureau on August 2, 1999.	Note 18: Admitted with Official Letter No. 1050022731 of southern business bureau on September 5, 2016.
Note 5: Admitted with (2000) Official Letter No. 127187 of Business Bureau on August 7, 2000.	Note 19: Admitted with Official Letter No. 1060004725 of southern business bureau on February 24, 2017.
Note 6: Admitted with Official Letter No. 09232895840 of authorized central unit on October 31, 2003.	Note 20: Admitted with Official Letter No. 1060012042 of southern business bureau on May 18, 2017.
Note 7: Admitted with Official Letter No. 09432022370 of authorized central unit on April 26, 2005.	Note 21: Admitted with Official Letter No. 1060029937 of southern business bureau on November 17, 2017.
Note 8: Admitted with Official Letter No. 09632636890 of authorized central unit on August 23, 2007.	Note 22: Admitted with Official Letter No. 1070026229 of southern business bureau on September 11, 2018.
Note 9: Admitted with Official Letter No. 09731809840 of authorized central unit on March 5, 2008.	Note 23: Admitted with Official Letter No. 1080005019 of southern business bureau on February 23, 2019.
Note 10: Admitted with Official Letter No. 09932512560 of authorized central unit on August 31, 2010.	Note 24: Admitted with Official Letter No. 1080015153 of southern business bureau on June 5, 2019.
Note 11: Admitted with Official Letter No. 1000014435 of southern business bureau on June 14, 2011.	Note 25: Admitted with Official Letter No. 1090005274 of southern business bureau on February 27, 2020.
Note 12: Admitted with Official Letter No. 1010015621 of southern business bureau on July 4, 2012.	Note 26: Admitted with Official Letter No. 1090024178 of southern business bureau on September 11, 2020.
Note 13: Admitted with Official Letter No. 1020011582 of southern business bureau on May 20, 2013.	Note 27: Admitted with Official Letter No. 1100006255 of southern business bureau on March 9, 2021.
Note 14: Admitted with Official Letter No. 1030014733 of southern business bureau on June 16, 2014.	

## b. Type of shares

Types of shares	Authorized capital stock			Notes
	Outstanding shares (Note)	Unissued shares	Total	
Common stock	91,369,177	58,630,823	150,000,000	Listed Company Value per share: NT\$ 10

## c. Information about shelf registration system: Not applicable.

## B. Shareholder structure

March 28, 2021

Composition of Shareholders Amount	Government institutions	Financial organization	Other Corporate shareholders	Individuals	Foreign Institutions and overseas investors	Total
Number of persons	4	35	50	6,473	168	6,730
Number of shares in possession (thousand shares)	806	12,942	9,840	21,286	46,495	91,369
Shareholding rate (%)	0.88%	14.16%	10.77%	23.30%	50.89%	100%



## C. Distribution of Stock shares

March 28, 2021

Class of Shareholding	Number of Shareholders	Number of shares in possession	Shareholding ratio (%)
1 to 999	1,284	200,232	0.20%
1,000 to 5,000	4,638	8,005,298	8.76%
5,001 to 10,000	355	2,764,681	3.03%
10,001 to 15,000	124	1,588,197	1.74%
15,001 to 20,000	71	1,296,619	1.42%
20,001 to 30,000	64	1,621,730	1.77%
30,001 to 40,000	35	1,267,273	1.39%
40,001 to 50,000	18	815,810	0.89%
50,001 to 100,000	49	3,340,299	3.65%
100,001 to 200,000	31	4,337,676	4.75%
200,001 to 400,000	25	6,960,376	7.62%
400,001 to 600,000	12	5,735,491	6.28%
600,001 to 800,000	7	5,200,141	5.69%
800,001 to 1,000,000	3	2,877,451	3.15%
1,000,001 or more	14	45,357,903	49.64%
Total	6,730	91,369,177	100.00%

Note: The Company did not issue prefer stocks all shares are issued as common shares.

## D. List of Major Shareholders (top 10 shareholding)

March 28, 2021

Name of Major Shareholders	Shares	Shareholding	Shareholding ratio (%)
Hermes Investment Company Emerging Markets Equity Fund entrusted to Taiwan Bank		7,865,200	8.60%
Hua Sheng International Investment Co., Ltd.		7,299,640	7.99%
Nan Shan Life Insurance Company, Ltd.		4,333,000	4.74%
Calvert Emerging Market equity investment fund entrusted to Germany Bank		4,284,900	4.68%
Cathy Life Insurance Co., Ltd.		4,242,774	4.64%
Plenticom Asia Limited (BVI)		2,914,187	3.18%
Wellington trust National association emerging market combo investment fund entrusted to HSBC		2,413,372	2.64%
Hermes Investment Funds Public Limited Company entrusted to Taiwan Bank		2,352,026	2.57%
John Hancock emerging market stock individual account entrusted to City Bank		2,175,000	2.38%
BT Pension investment fund entrusted to Taiwan Bank		2,062,410	2.25%

E. The stock price, net value, profit, earning, and relevant information in the most recent two years.

Unit: NT Dollars

Item \ Year		2019	2020	In the current year up to March 31, 2021
Market price per share	Highest	334	330	325
	Lowest	204	202	259.50
	Average	268.07	274.49	293.66
Net value per share (Note 1)	Before distribution	44.71	47.60	—
	After distribution	44.71	(Note5)	—
EPS	Weighted average number of shares (thousand shares)	90,634	90,813	As of the publication date of this annual report, we have not obtained the audited financial statement information for the 2021 first quarter.
	Earnings per share	NT\$ 4.97	NT\$ 6.50	
Dividends per share	Cash dividends		NT\$ 4	
	Stock dividends	Earnings	—	
		Capital surplus	—	
	Accumulated unpaid dividend		—	
Return analysis	Price-earnings Ratio (Note 2)		53.94	
	Price-dividend Ratio (Note 3)		67.02	
	Cash dividend yield(Note 4)		0.015%	

Note 1: Identify the highest market value and the lowest market value of the common stock in various years, and calculate the average market price for each year based on the trading value and turnover for each year.

Note 2: Price-earnings Ratio=Average Closing Price per Share in current year / Earnings per Share.

Note 3: Price-dividend Ratio =Average Closing Price per Share in current year / Cash Dividend per Share.

Note 4: Cash dividend Yield=Cash Dividend per Share/Average closing price per share in current year.

Note 5: The 2020 earnings haven't been distributed by the shareholders meeting until March 31, 2021.

F. Dividend policy and implementation status

a. Dividend policy:

The dividend policy of the Company, which is specified in Article 20 Item 2 of the Articles of Incorporation, is as below:

The annual earnings of the Company should be allocated for taxation and compensation of losses in the past few years as regulated in relevant laws. Also, 10 percent of the earnings should be allocated for legal reserve. Yet, the rule is not applicable when the legal reserve has amounted to the Company's paid-in capital. Special reserve from retained earnings can be allocated for needs of operation or legal regulations. The accumulated allocable earnings, including undistributed earnings of the year, can be included in the earnings distribution by the Board and be resolved on the Shareholders' meeting.

Allocation of earnings and distribution of dividend would be determined with consideration of the environment, the development stage of the Company, the requested fund, the long-term financial plan, and shareholders' needs for cash inflow. The Company may distribute stock dividend or cash dividend after such case is accepted by the Shareholder's meeting. However, the total amount of dividend shall take up at least 20% of the net earnings after tax in the year. The total amount of cash dividend shall take up at least 10% of the total

amount of distributed dividend of the year.

b. Allocation of dividend to be resolved by the Shareholders' meeting:

The distribution of a dividend per share of NT\$ 5 has been resolved by the Board of Directors' meeting on February 3, 2021.

c. Any predictable major change in the dividend policy should be illustrated: None.

G. Effect impact of shareholder meeting's resolution for distributing stock grants on the Company's performance and the earnings per share: Not applicable (the Company's 2021 financial forecast was not published)

H. Remuneration paid to the employees, directors, and supervisors

a. The proportion or scope of remuneration for the employees, directors, and supervisors in the Articles of Incorporation:

The provision in Article 20 Item 1 in Articles of Incorporation has specified the remuneration for employees and directors as below:

When the Company makes profit in the year, one percent of the earnings should be allocated for remuneration for directors, and at least eight percent of the annual earnings should be allocated for remuneration for employees. Yet, the amount to compensate for the accumulated losses of the Company should be allocated first.

b. Accounting treatment when accrual allocated amount differs from the estimated amount of remuneration for employees, directors, and supervisors of the year, and the stock compensation for employees:

The Company follows the Articles of Incorporation to calculate the proportion of earnings of the year (the profit before allocating remuneration for directors and employees subtracted from the income before tax) that should be allocated for directors' and employees' remunerations after the compensation for accumulated losses is reduced from the annual earnings.

c. The remuneration adopted by the Board of Directors' meeting:

(1) The recognized amount of remuneration in cash for employees (NT\$ 70,947 thousand) and remuneration for directors (NT\$ 7,883 thousand) corresponded with the amount adopted by the Board of Directors meeting on February 3, 2021.

(2) The proportion of stock remuneration for employees in the total amount of net income after tax and employee remuneration: Not applicable.

d. The actual condition of distributing remuneration for employees, directors, and supervisors in the previous year (including number of shares, denomination, and price per share), the difference from registered amount of remuneration for employees, directors, and supervisors, the reasons, and follow-ups:

It has been resolved on 2020 Shareholders' meeting that NT\$ 47,962 thousand allocated for employee's cash remuneration, and NT\$ 5,995 thousand was allocated for directors' cash remuneration. There is no deviation between the actual allocation and the estimated figures.

- I. Stock buy-back of the Company: None.
- ii. Issuance of Corporate Bonds: None.
- iii. Issuance of Preferred Shares: None.
- iv. Issuance of Global Depository Receipts (GDR): None.
- v. Issuance of Employee Stock Warrants:
  - A. The status of stock warrants for employee whose term has not expired and the impact on shareholder's equity up to the date of publication of the annual report: None.
  - B. The managers who obtained employee stock option and the name, subscription, obtained status of top 10 employee who acquire employee stock warrants accumulating to the date of publication of the annual report: None.
- vi. Employee Restricted Stock Awards
  - A. The annual report shall disclose unexpired employee subscription warrants issued by the Company in existence as of the date of printing of the annual report and effect pm the shareholder's equity.

March 31, 2021

Types of Restriction on Employee Share Subscription	1 <sup>st</sup> term of Restriction on Employee Share Subscription
The effective date of declaration	June 24, 2020
Issue date	August 25, 2020
Outstanding shares of Restriction on Employee Share Subscription	442,000 shares
Issue price	NT\$ 44.7
Ratio of Outstanding shares of Restriction on Employee Share Subscription in comparison to the outstanding shares	0.48% (Note)
Vested conditions of Restriction on Employee Share Subscription	Employee's continuous employment with the Company through the vesting dates since the grant date. No violation on any terms of the Company's employment agreement, employee handbook, non-compete, non-disclosure and other agreement and achievement of both personal performance criterion and the Company's operation objectives set by the Company during the vesting period are required to receive the vested shares. The portions of the vesting shares are: 1st anniversary of employee's continuous employment since the grant date 50% (2021). 2nd anniversary of employee's continuous employment since the grant date 50% (2022). The employee personal performance must be at least S (inclusive). To determine the achievement of the Company's operation objectives, four indexes (Revenue, Gross Margin, Operating Margin and Operating Margin (%)) and their respective targets A and B achievement levels are set up below. The index will be deemed

	<p>achieved when either target A or B is achieved. The number of indexes meeting the target and the achievement levels shall be determined based on the financial statements certified by a CPA for the most recent fiscal year prior to the end of each vesting period. The actual number of vesting shares is determined by referencing the achievement of the four indexes and will be specified in the respective agreements of the employees.</p> <table><tr><th>Business Indexes</th><th>Target A</th><th>Target B</th></tr><tr><td>Revenue(\$)</td><td>5% or above growth comparing to the previous year</td><td>Growth comparing to the average of previous three years</td></tr><tr><td>Gross Margin(%)</td><td>1.5% or above growth comparing to the previous year</td><td>Growth comparing to the average of previous three years</td></tr><tr><td>Operating Profit(\$)</td><td>5% or above growth comparing to the previous year</td><td>Growth comparing to the average of previous three years</td></tr><tr><td>Operating Profit Margin (%)</td><td>2% or above growth comparing to the previous year</td><td>Growth comparing to the average of previous three years</td></tr></table>	Business Indexes	Target A	Target B	Revenue(\$)	5% or above growth comparing to the previous year	Growth comparing to the average of previous three years	Gross Margin(%)	1.5% or above growth comparing to the previous year	Growth comparing to the average of previous three years	Operating Profit(\$)	5% or above growth comparing to the previous year	Growth comparing to the average of previous three years	Operating Profit Margin (%)	2% or above growth comparing to the previous year	Growth comparing to the average of previous three years
Business Indexes	Target A	Target B														
Revenue(\$)	5% or above growth comparing to the previous year	Growth comparing to the average of previous three years														
Gross Margin(%)	1.5% or above growth comparing to the previous year	Growth comparing to the average of previous three years														
Operating Profit(\$)	5% or above growth comparing to the previous year	Growth comparing to the average of previous three years														
Operating Profit Margin (%)	2% or above growth comparing to the previous year	Growth comparing to the average of previous three years														
Restricted rights of Restriction on Employee Share Subscription	<p>Restricted rights before employees meet the vesting conditions:</p> <p>(1) All of the granted shares to the employees shall, before the vesting conditions have been met, be put in the custody of the trust institution designated by the Company and not be sold, pledged, transferred, given, encumbered, or disposed otherwise.</p> <p>(2) All the attending rights, proposal rights, speech rights, voting rights and any other shareholder rights of the granted shares shall be exercised by the trustee according to the custody agreement.</p> <p>(3) During the vesting period, the rights and obligations of the granted shares such as to participate in stock and cash dividend distribution and to subscribe to seasoned equity offerings is the same as the common shares issued by the Company. As to the rights and interests obtained through the channels mentioned above, except the cash dividend which is not limited by the vesting conditions and the trustee should return it to the accounts designated by the employees within 5 working days since the cash dividend is received, other rights and interests obtained shall all be put in the custody of the trustee before the vesting conditions are met.</p>															
Custody for Restriction on Employee Share Subscription	Trust custody															
Follow-up measure for employees fail to fulfill vesting conditions after receiving or purchasing new stock shares	As the vesting conditions of restricted employee shares have not been met by the intended employee, the Company redeemed issuance to such employee and will cancel shares in accordance with issuance rules.															
The number of shares of Restriction on Employee Share Subscription which have been withdrawn or repurchased	4,000 shares															
The number of shares of Restriction on Employee Share Subscription which has been lifted	0 share															
The number of shares of Restriction on Employee Share Subscription which has not been lifted	438,000 shares															
Ratio of the number of shares of Restriction on Employee Share Subscription which has not been cancelled in comparison to the outstanding shares (%)	0.48%(Note)															
Effect on the shareholder's equity	The issued shares for restricted stock awards takes up 0.48% of the total number of issued shares of the Company, which has no significant diluted effect on the earnings of the Company's shares.															

Note: The calculation is based on the registered stock capital on March 31, 2021.

B. Accumulated to the annual publication, the status of managers who acquired Restriction on Employee Share Subscription and top 10 employees who acquired the most shares

March 31, 2021

	Title	Name	Obtain the number of Restriction on Employee Share Subscription (thousand shares)	Ratio of Outstanding shares of Restriction on Employee Share Subscription in comparison to the outstanding shares (Note 1)	Restricted rights have been lifted				Restricted rights have not been lifted			
					Number of shares (Thousand shares)	Issued price (NT\$)	Amount (NT\$ thousands)	Ratio of the number of shares of Restriction on Employee Share Subscription which has not been lifted in comparison to the outstanding shares (Note 1)	Number of shares (Thousand shares)	Issued price (NT\$)	Amount (NT\$ thousands)	Ratio of the number of shares of Restriction on Employee Share Subscription which has not been lifted in comparison to the outstanding shares (Note 1)
Managers	CSO	Ching-Yi Chang	145	0.16%	0	44.70	0	0%	145	44.70	6,482	0.16%
	CTO	Wei Lin										
	GM	Roger Lo										
	CFO	Jerry Yang										
	Deputy General Manager	Richard Bai										
	Assistant Manager	Shi-Ming Zhuang										
	Assistant Manager	Han-Ti Hsiao										
Employee	Director	Zong-Yin Wu	121	0.13%	0	44.70	0	0%	121	44.70	5,409	0.13%
	Director	Yan-Wei Chen										
	Director	Ji Xiong Tsai										
	Director	Chia-Hung Dai										
	Manager	Yong-Sheng Wang										
	Manager	Ya-Fang Wu										
	Manager	Cheng-Hung Lin										
	Manager	Chi-Chun Ke										
	Manager	Shi-Ming Hong										
	Manager	Shih-Hao Kuo										
	Manager	Hung-Wen Huang										
	Manager	Yu-Yi Yeh										

Note 1: The number of outstanding shares is 91,369,177 calculated until the annual report publication (March 31, 2021).

vii. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

viii. Financing plans and implementation:

The Company is not in the situation with uncompleted public issue or private placement of securities and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits.

## V. Business Overview

### i. Business Activities

#### A. Business Scope:

##### a. Main Areas of Business Operations

- (1) Manufacture and sales of Optoelectronic Semiconductors (epi-wafers for light-emitting/detecting components and microwave devices)
- (2) Manufacture and sales of Indium Phosphide epi-wafers and chips
- (3) Manufacture and sales of Gallium Arsenide epi-wafers and chips
- (4) Manufacture and sales of laser diode and light-emitting diode products
- (5) International trade for the aforementioned products

##### b. Operating Revenue Breakdowns

Units: NT\$ thousands; %

Annual Item	2019		2020	
	Amount	Percentage	Amount	Percentage
Epi-wafers	2,119,455	99.21%	2,287,832	99.08%
Others	16,815	0.79%	21,257	0.92%
Total	2,136,270	100.00%	2,309,089	100.00%

##### c. Product Item of the Company

The Company employs the MOCVD technique to develop various kinds of epi-wafers, including:

- (a) InP LD epi-wafers: the wavelength ranges from 1200nm to 1650nm, and it is mainly used in Laser Diode used for optics communication.
- (b) PD epi-wafers: the wavelength ranges from 650nm to 1600nm, and the epi-wafers are mainly used in the photo detector, APD-Avalanched detector, or Laser efficiency monitoring and detector for sensors for optics communication products.
- (c) GaAs LD epi-wafers: the wavelength ranges from 635nm to 1100nm, and the epi-wafers are mainly used for high-power laser machining, bar code scanner, GPS system, 3D sensor, LiDAR for autonomous cars, aesthetic medicine machines and equipment in data centers.

##### d. New Products or Service Under Planning for Development

- (a) High-Speed 50Gbit/s directly Modulated DFB Laser epi-wafers
- (b) High-speed 50Gbit/s externally modulated EML Laser epi-wafers
- (c) 6" high-speed VCSEL Vertical Cavity Surface Emitting Laser epi-wafers
- (d) Short-wavelength High-power Laser (over 20W per unit) epi-wafers
- (e) 25Gbit/s As-grown type Avalanche Photodiode Detector Laser epi-wafers
- (f) Laser epi-wafers that could sustain for high reliability test
- (g) High-power DFB Laser epi-wafers
- (h) Heterojunction bipolar transistor (HBT) epi-wafers

## B. Overview of Industry

### a. Current condition and development of the industry

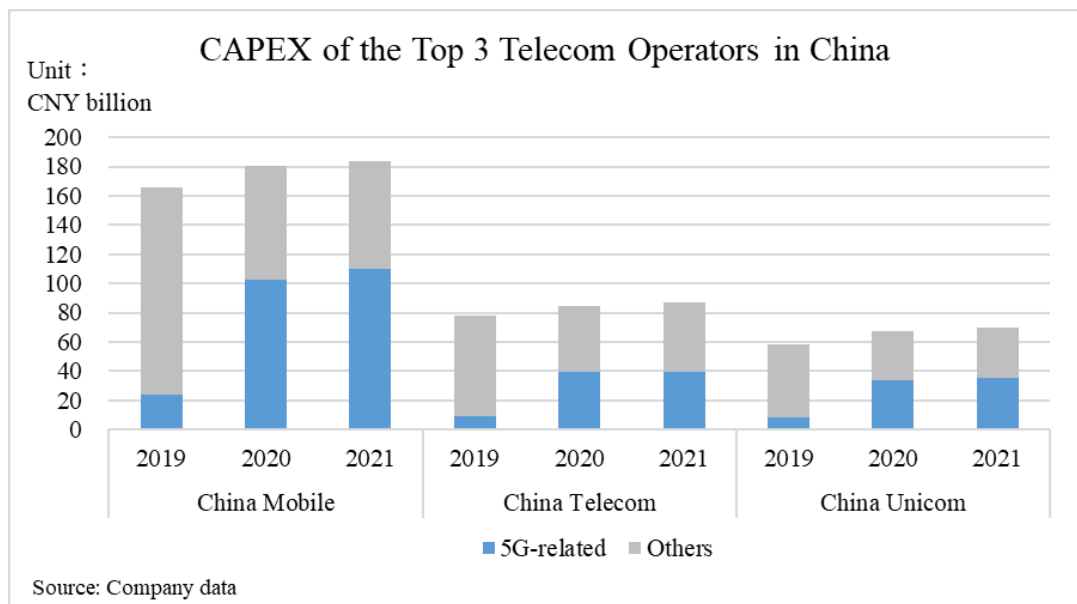
The optical communication industry includes manufacturers of optical fiber components (optical fiber and optical cable), components (optoelectronic active components and optoelectronic passive components), and optical communication equipment. Optical communication works by transforming electronic signals like sound, images, or digital messages into optical signals by LD elements (transmitter), using the optical fiber as the media, and having the receiving components by PD transform the optical signal back into electronic signals. Then, an adjustment would be made to reproduce the sound, image, or data delivered by the transmitter. Compared with traditional electronic signals, optical signals can be transmitted with high speed and little loss of data. Optical communication has been gradually adopted by communication plants, cell sites, and information center in place of traditional electronic communication, which promotes the innovation of the optical network and optical communication techniques, while upgrading the development of related components and the market trend.

The increasing demand for bandwidth has resulted in growing need for optical communication components. According to the market research report conducted by Cisco in 2020, the total number of Internet users globally is forecasted to increase from 3.9 billion in 2018 (about 51% of global population) to 5.3 billion in 2023 (about 66% of global population) at a CAGR of 6%. With the development of Internet of Things (IoT), things and machines connect to the Internet and each other to communicate. Cisco estimated that the M2M (Machine-to-Machine) connections will grow rapidly at a CAGR of 19% from 2018 to 2023, and connected home applications and connected cars will be the fastest growing application types. The optical communication market is rapid developing, and it is estimated that the global market value of optical communication will reach US\$ 14.147 billion in 2022, and the CAGR between 2016 and 2022 is estimated to be about 6.76%.

In the aspect of mobile communication, more and more countries start 5G technology development and deployment. It is estimated that 2021 to 2025 will be the peak period of 5G base station development. Beside China and Korea, which lead the world in deploying 5G base stations, there are more countries starting establishment of 5G infrastructure in 2021. The Industrial Economics and Knowledge Center estimated that the market size of global 5G mobile infrastructure in 2020 was about US\$ 15.7 billion, China was the fastest-growing country, and followed by Korea, Japan, Taiwan and the U.S. The estimated annual growth rate in 2021 is 35%, and the Asia Pacific market is in the greatest demand. In 2020, China started expanding the

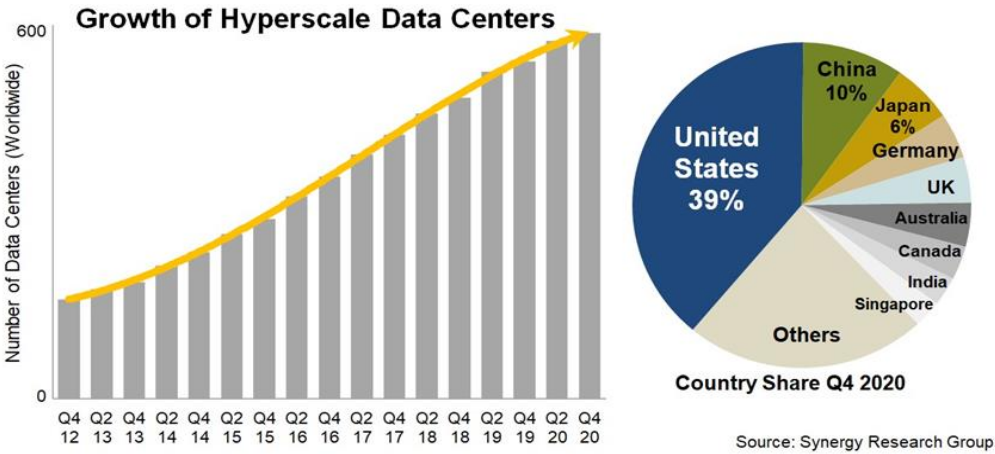


scale of 5G infrastructure establishment. According to MIIT of China, the number of 5G base stations deployed in 2020 was over 600 thousand, and accumulated rolled-out base stations was over 718 thousand. It is planned to establish 600 thousand base stations in China, 2021. Also, according to the annual reports of the top three telecom operators in China, the total capital expenditures related to 5G in 2021 will grow 5% comparing to 2020 to reach CNY 184.7 billion. Because of the establishment of 5G Internet, the demand of optical transceivers for fronthaul, midhaul and backhaul transmission increases, and even drives the construction and upgrade of data centers.



The demand for FTTx upgrading also increased because of the technological development of smart home, 4K Ultra HD video, IoT and etc. FTTx has been entering a new developing period, with replacing copper wires with optical fibers gradually. The number of fixed broadband connections in recent years keeps growing. At the country level, China contained and added the largest number of subscribers, and the highest growth rate were in the FTTx developing areas, with the UK, France, and Ireland reporting double-digit quarterly growth. The 14th Five-Year plan by Chinese government mentioned that the optical fiber infrastructure would be pushed. The communication and digitization matters in 5G New Infrastructure plan of China is driving the upgrade of FTTx to 10G PON. The top three telecom operators in China will also speed up the deployment of 10G PON in 2021, making optical fiber network continuously spreading. With the development of Internet communication, and more and more Internet connections of mobile devices, telecommunication companies and Internet companies around the world have been working on establishing and upgrading the data centers to fulfill the enormous needs for data

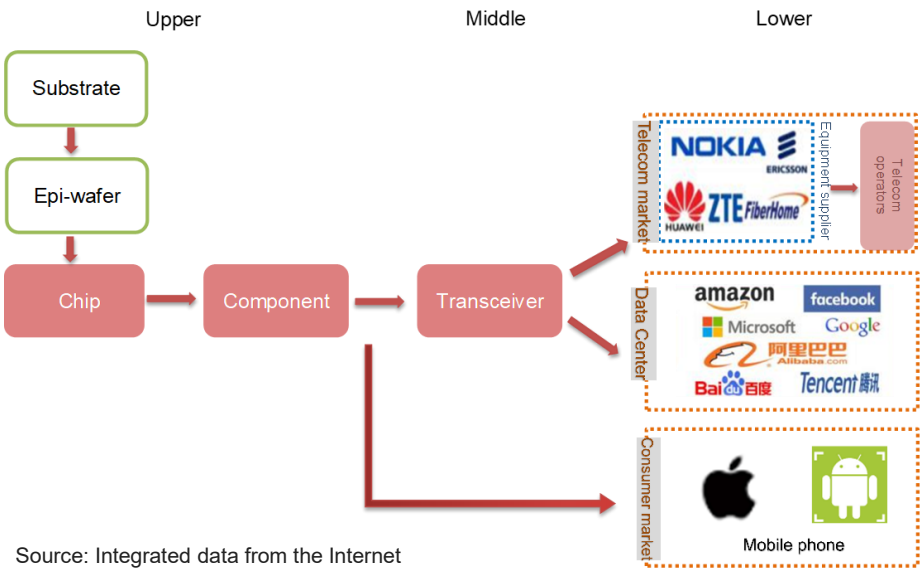
storage, calculation, information security, and other services. According to the research by Synergy Research Group, as of 2020 Q4, there were 597 hyperscale data centers around the world and a further 219 that are under planning or building. Since the optical modules are inevitable components of data centers, the increase number of data centers will directly lead to greater need for optical transceivers and other related components.



b. Connection among the upper, middle, and lower stream of the industry

The Company produces key components of the upper stream for optical transceiver modules, and it specializes in developing and manufacturing LD and PD epi-wafers with materials of InP and GaAs for clients with capabilities of component manufacturing, testing, packaging, and etc. The processed components are used for active components and transceiver modules of optical communication.

The Global Supply Chain of active components for optical communication industry: the upstream and downstream manufacturers.



### c. Current trends in product development

The rapid development of mobile networks, cloud computing, social media, big data, Internet of Things, and other new technologies has brought about great needs for data transmission and high bandwidth equipment. As telecommunication companies around the world devote themselves to upgrading equipment and deploying new generation communication device, there are growing needs for optical communication components as well as epi-wafers for optical communication.

#### 1. FTTx and mobile networks (4G/5G)

To fulfill the needs for promoting household optical cable and mobile networks in countries around the world, the Company has been developing and producing optical epi-wafers for PON, 4G-LTE, and 5G system. The products are listed as below:

- (a) GPON for FTTx: 2.5Gbps DFB LD, PIN and APD optoelectronic epi-wafers
- (b) 10G PON for FTTx: 10Gbps DFB LD, EML and APD optoelectronic epi-wafers
- (c) LTE-4G cell site transmission: 10Gbps FP, DFB LD and PIN optoelectronic epi-wafers
- (d) 5G cell site transmission: 10Gbps/25Gbps DFB LD, EML and APD optoelectronic epi-wafers

The Company also possesses the grating technique, the key manufacturing procedure for producing DFB LD, and the techniques of epi regrowth, which can offer the clients the competitive advantages for entering high-end product market.

#### 2. Application of Cloud Computing

With promotion of Google, Facebook, Amazon, and other internationally renowned company, cloud computing has been widely used in daily life, bringing about significant growth in the need for higher bandwidth of communication. It is predicted that data computing on the Internet would be conducted by different platforms, and increasing amount of information transmission and establishment of more data centers will lead to a trend of replacing the traditional method of electronic signals transmission with the high-speed and low-loss optical communication system. The new technological trend will make the optical transmission module applied for cloud computing become widely used, resulting in an increase in sales of the Company's epi-wafer. The optical modules in data centers evolve to the next generation every two to three years. During 2016 to 2018, 100G transceivers have been widely adopted at American hyperscale data centers. 2020 is the transition period of 100G/ 400G transceiver, it is estimated that the 400G ramp will start from 2021 lasting

to 2024. The Company has already massively produced products for 400G optical modules and keeps working with clients for developing the next 800G products. The Company's relevant products for cloud computing application include: 850nm VCSEL, 10G/25G DFB LD, 25G/50G EML, high-power Continuous Wave DFB Laser epi-wafer, and Si-Photonics epi-wafer.

### 3. Application for consumer and industrial laser diode

In addition to optical communication, Laser Diode can also be applied in material processing, aesthetic medicine, scientific research and military, instrument and sensor, communication and optical storage, image recording, entertainment and display. The Company is developing epi-wafer for consumer electronic products (high-power 850nm/940nm VCSEL), medical equipment (980nm LD), and material processing equipment (808nm/915nm LD). It also offers epi-wafer and technical support to middle and lower stream clients with different applications.

The key module LiDAR for autonomous driving vehicles is considered as a market with great potential in Laser application. Landmark has been working with the clients in developing the laser in LiDAR module, including the techniques adopting VCSEL or InP with long wavelength.

### d. Competition of the products

The Company has significant growth in developing epi-wafer and business scale, and the reasons are summarized as below:

1. The Company is capable of developing, designing, and manufacturing the epi-wafer for III-V Semiconductor Laser Diode and the photodiode, especially the epi-wafer for high-speed edge emitting DFB LD (Distributed Feed Back), high-power Continuous Wave DFB Laser epi-wafer, PIN (P-intrinsic-N), and APD (Avalanche photodiode) epi-wafer.
2. The Company caters to the works with clients in developing new products with pre-manufacturing procedures of some components and epi regrowth techniques, which significantly shortens the process and helps the clients to seize the opportunity to enter the niche market. The Company produces a variety of products as well as remains in close operation with the clients. The optoelectronic components using the Company's epi-wafer, through post-manufacturing components and the processing of the module plants, was adopted by top communication equipment dealers in Europe, America, China, and other regions around the world.

The Company categorizes its products based on the wavelength and the application, including the following items:

1. Short wavelength (<1100nm) Laser Diode epi-wafers series of GaAs. This

type of products is mostly used for consumer electronic devices or industrial laser components. In the past, large companies in the U.S. and Japan such as Avago, Mitsubishi, Sumitomo would use epi-wafers they produced internally to complete the component for the use of their own module manufacturing. Over the years, as more 3D sensors have been applied in consumer electronic devices, the demand for VCSEL is rapidly increasing. The Company has employed professionals with expertise in relevant field to develop the products for the niche market.

2. Long wavelength (>1100nm) Laser Diode epi-wafers series of InP. With rapid growth of optical communication and data centers, more companies are providing such services. The British company IQE can offer InP Laser Diode epi-wafers, and some domestic GaAs epi-wafer manufacturers are also developing this type of epi-wafer.
3. Photodiode epi-wafers series of InP. Some of the companies producing epi-wafer for microwave components are capable for producing this type of products, such as IQE in Britain and Visual Photonics Epitaxy Co., Ltd. in Taiwan. Despite the keen competition and low entry barrier of the market, Landmark has been actively exploring new clients and maintain good relationships with existing clients. In addition to lowering the manufacturing cost, the Company also increases its capacity in supplying 3-inch, 4-inch or even 6-inch epi-wafers with high quality in competitive prices.

### C. Overview of the techniques and development

#### a. Techniques and research for the business

The Company's professional team possesses the leading techniques for producing epi-wafers, and the professionals are familiar with the application of various Laser diode and photodetector components. Landmark provides clients with professional advices in component design, epitaxial growth, manufacturing procedure, testing, and application, helping the clients to cultivate new application fields and explore new market.

The Company focuses on researching the following items:

- InP high-speed FP, DFB, EML Laser epi-wafer
- InP high-speed photodetector epi-wafer
- GaAs Vertical Cavity Surface Emitting Laser epi-wafer
- High-speed buried hetero structure Laser epi-wafer
- Epi-wafer for Holographic Grating, E-beam Lithography and Nanoimprint Lithography
- Multi-mode and multi-wavelength Laser epi-wafer for data centers
- Industrial high-power semiconductor laser
- Semiconductor laser for medical sensor

- b. Expenses on research and development over the past 3 years until the printing date of the annual report:

Units: NT\$ thousands

Item	2019	2020	Jan to Mar, 2021
Research and development expenses	329,446	274,080	49,185
Operating Revenue	2,136,270	2,309,089	603,995
R&D expenses / Operating Revenue	15.42%	11.87%	8.14%

- c. The techniques and products developed in the most recent 5 years until printing date of the annual report.

Year	Type of product	Item
2016	E-beam Lithography	>10G C-DFB/ >10G P-EML
	Parameter retrieval system for full grating wafer	All C-DFB wafer
2017	Laser epi-wafer	25G C-DFB, 25G C-EML
	Photodetector epi-wafer	25G PD
2018	Nanoimprint Lithography	2.5G DFB, 10G DFB
	Laser epi-wafer	25G P-DFB, 10G P-EML
	Photodetector epi-wafer	25G APD, 50G PD
2019	Laser epi-wafer	10G CWDM C-DFB, 25G MWDM/LWDM C-DFB 6"VCSEL
2020	Laser epi-wafer	28G CWDM C-DFB BH-DFB/FP 2μm infrared DFB
	Photodetector epi-wafer	As-grown type 10G APD

#### D. Long-term and short-term business development plan

##### a. Plans for short-term development

The network structure China used to adopt the Internet system are 2.5Gbps GPON and 10Gbps GPON, and most of the GPON components and modules were offered by the Company's clients. With greater demand for 5G Internet connections since last year, the related mass-produced and stable-supplied 10G/25G DFB epi-wafers are becoming one of the new growth engines for the Company. On the other hand, in order to fulfill the needs of data centers, the Company has been working with its clients to integrate the high-power continuous wave Silicon Photonic epi-wafers to produce high-speed optical transmissions modules. The transmitting speed of current main products is 4 x 25G. The Company has cooperated with the clients to successfully mass-produce 400G transceiver module, and the Company is also working with the clients to develop epi-wafers with the speed of 800G. The large-size VCSEL epi-wafer is also being developed.

Now, it possesses the most advanced machine to produce 6" VCSEL for clients to test.

b. Plans for long-term development

The rise of industrial processing has boosted the demand for high-power laser. The epi-wafers of the Company have been adopted in optical modules for measuring instruments and positioning techniques. The Company will seek possible collaborators work for application of relevant fields including medicine, military defense, and automatic manufacturing so as to develop the corresponding solution for such optical modules.

ii. Market and Sales Overview

A. Market Analysis

a. Sales regions of main products

Units: NT\$ thousands; %

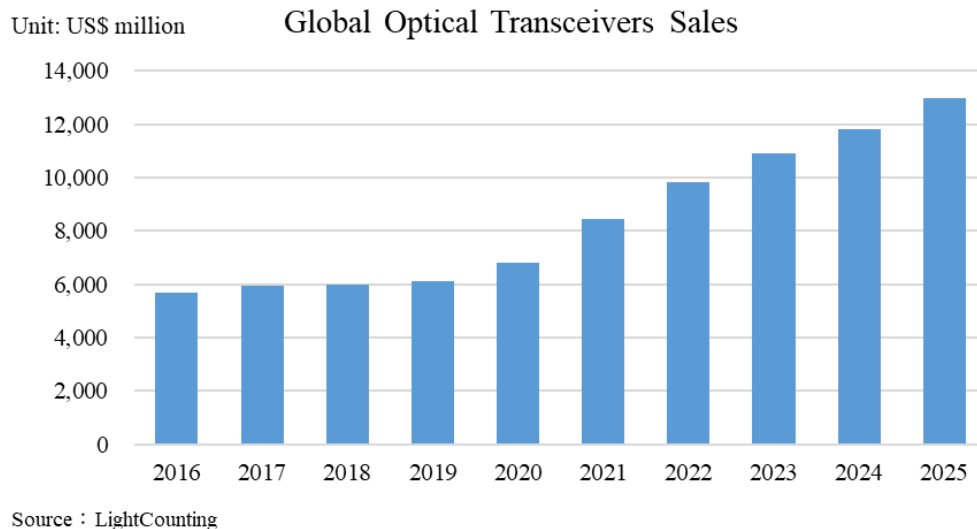
Sale Region \ Year	2019		2020	
	Sales Amount	%	Sales Amount	%
Taiwan	239,488	11.21	461,432	19.98
China	813,800	38.10	1,348,587	58.40
U.S.	991,749	46.42	344,280	14.91
Other	91,233	4.27	154,790	6.71
Total	2,136,270	100.00	2,309,089	100.00

b. Market Share

The Company mainly manufactures epi-wafers needed for active components of optical communication. According to the industrial research report in China, the global market value of optical communication components in 2020 was US\$ 13.05 billion, and the sales value of the Company's epi-wafer in 2020 was US\$ 77 million, taking up approximately 0.6% of the global market of optical communication components.

c. The demand & supply and the potential growth of the market in the future  
Telecommunications is evolving to the 5G era. Because of the characteristics of 5G, including high frequency, short wavelength, shorter transmission distance and smaller coverage area than 4G, 5G networks use twice more base stations compared to the 4G ones. The base stations will be connected by optical fiber networks, which drives the demand growth of optical fibers and optical communication components. Then, the 5G networks of high bandwidth, high speed, low delay, and mega connection will result in various innovative smart application, causing rapid increase in network traffic. To fulfill the demand for tremendous information and network traffic of 5G and AIoT era and to allow faster transmission of big data, optical communication will be the crucial factor. Thus, the 5G application of optical communication will be accelerated. The Company offers the upper stream

key components of the optical transceiver module which is the critical element of the application such as the establishment of base stations for mobile network, household optical cable, cloud computing, data center, and other services.



d. Niche for competition

There are two types of epi-wafer suppliers around the world. The first type of companies is large optoelectronic integrated device manufacturers (IDM), such as II-VI, Broadcom and Lumentum in the U.S. or Sumitomo and Mitsubishi in Japan. These companies possess the equipment and techniques to integrate the production of the frontend epi-wafer and the backend modules. Another type is suppliers that specialize in the production of epi-wafers. In addition to Landmark, IQE in Britain and IntelliEPI in the U.S. are also major suppliers. The major equipment adopted include the Molecular beam epitaxy (MBE) and the Metal Organic Chemical-Vapor Deposition (MOCVD). Among the above-mentioned professional epi-wafer suppliers, only Landmark focuses on the market for optical communication and data center. The other companies mainly offer microwave components (HBT and HEMT). Also, the parameter setting and epitaxial growth technique of manufacturing epi-wafers for optical communication require more advanced professional competences, which are more difficult for new entrants in the field. Also, the Company has accumulated a large client base in Taiwan, China, the U.S., Japan, and Europe and maintained good relationships with its good services and cost advantages.

e. The advantage, disadvantage and the responding measure for future development.

Advantage

1. Rapid development with the existing client

The Company is in long-term cooperation with many clients of optical transceiver and module by assisting the clients to introduce their



components to equipment manufacturers of large communication and data center. In addition to upgrading the existing products, the Company also works with its clients to develop components and optical modules with higher speed to fulfill the need of lower stream equipment manufacturers. So far, the Company takes up considerable market share and possesses good client connection for sales of various laser and photodetector epi-wafers. The Company will continue to assist the clients in increasing sales by offering high-quality and competitive products as well as timely delivery in the future.

2. Competence in developing new products and continuous innovation

The technical executive team of the Company is experienced in developing epi-wafer for III-V Laser and photo receiver diode, and members on the team used to work in the domestic and overseas leading organizations of optical communication techniques, such as AT&T in U.S. and Chunghwa Telecom Laboratories. The professionals specialize in manufacturing procedure of optical communication components and epi-wafers, and they can offer comprehensive technical consultation and assistance for clients. The research team keeps working and communicating with the experts within the Company, who are from Europe, the U.S., and Japan so as to keep innovating the product manufacturing technique.

3. Increase in manufacturing scale and management of production yield rate

The Company has adopted the following measures for optimizing production yield and management of manufacturing capacity:

- (a) The Company expand manufacturing capacity for timely response to the market demand so as to deliver the order as scheduled while researching for new products.
- (b) The Company implements flexible and effective management of manufacturing procedure to ensure earlier delivery and correspond to the production need of the clients.
- (c) The Company introduces SPC (Statistical Process control) to monitor manufacturing procedure, control variation, analyze abnormality, and make comprehensive experiment to measure and analyze component features. The manufacturing team can thus remain high production yield rate, effectively analyze the invalid products, and keep improving the quality of the products.

4. Complete product line and competitiveness on the market

The Company has been collaborating with the clients over the years. It has various categories of products for optical communication and data center to fulfill different needs of clients. The Company will remain in close collaboration with the clients to offer high-speed and high-power

component for application in consumer products so as to assure competitiveness of the Company as well as its clients.

Disadvantage and responding measures

1. The price of product may keep dropping

It is common that price of technological products would drop over time, and it is no exception for the market of optical communication. The lower stream manufacturers of telecommunication equipment and data center provider would focus on cost-performance ratio of optical communication components, so it's normal to see price drop of component with same specification when conducting YOY comparison after the mainstream technique is upgraded. However, the supplier can prevent significant drop in its product price as long as it keeps upgrading the specification or its manufacturing line.

Responding measures:

- (a) Increase added value of the product and provide front end process OEM service for part of the Company's wafer products to customers and assist them to speed up the production and improve the production yield.
  - (b) Keep optimizing the production efficiency and increase the production yield to remain its cost competitiveness.
  - (c) Assist its clients to develop the structure and specification of new products as well as introduce epi-wafer of larger size to decrease the cost and increase the competitiveness of the clients.
2. The competitive risk brought by laser component companies from the U.S. and Japan.

The epi-wafer produced by the major manufacturers in the U.S. and Japan are mainly used in their own laser components and transmitter modules which have been competing with the Company's lower stream clients. When there is a reduction in the delivery of the Company's clients, procurement on the Company's epi-wafer will decrease. Besides, U.S.-China trade war initiates the great powers' concerns and protection of key components. Many Chinese corporates participate in developing and manufacturing optical components in recent years. With the increasing technology maturity of these Chinese corporation, the Company's market share in China will probably be influenced.

Responding measures:

- (a) Hire more technicians to increase the competitiveness of the products, offer instant service and product cost strength to gain support from the clients.
- (b) Develop products with higher transmitting speed and with different material structure to enlarge the application scope of the Company's

products.

### 3. Fluctuating demand

Recently, due to 5G construction, the optical communication market in China has a strong demand which has become the major market for suppliers of relevant components in Taiwan and China. The procurement is usually conducted through the tendering procedure, and the order from component suppliers may significantly increase or decrease between different seasons or months, which result in fluctuation of the Company's business.

#### Responding measures:

- (a) Continue to expand the percentage of sales revenue in Europe, the U.S., and Japan, and collaborate with the clients to conduct early stage R&D of new products as well as to develop application of epi-wafer other than traditional optical communication products. Attract IDM manufacturers in the U.S. and Japan to increase the OEM production percentage of the epi-wafer with the Company's cost competitiveness.
  - (b) Strengthen the R&D of high-end products, especially the epi-wafer for high-speed laser components, cloud computing, and high-power laser so as to ensure the momentum for the development of the Company with technological competitiveness.
  - (c) Develop new application market, such as facial recognition sensor, automotive 3D sensing, and sensors for biomedical technology, etc.
4. Customized products takes up the majority of the order, so the production line is difficult to reach the economic scale of production.

Most of the epi-wafers are customized products. Since there are many product items and the need and specification of each client is different, the high mix low volume manufacturing is difficult to reach the economic scale of production.

#### Responding measures:

- (a) Continue establishing standard operating procedures, which allow production personnel to perform conduct smooth production as to orders of different type and quantity.
- (b) Enhance the negotiation with clients regarding the ordering cycle and the order management of highly similar products. Provide appropriate benefit to the customer for the production cost reduced.

## B. Important application and production process of the main products

### a. Important application of the main products

The optical communication industry includes three subsectors: optical fiber material (optical fiber and optical cable), key component (optoelectronic passive component and optoelectronic active component), and optical communication equipment. LandMark Co., Ltd is an upper stream supplier in the optical communication industry, and it mainly manufactures the Laser Diode (LD) epi-wafer of the data transmitter and epi-wafer for the Photodetector (PD) epi-wafer of the data receiver (PD epi-wafer). The Company supplies the products to middle stream manufacturers to produce various chips, which can be supplied to the lower stream manufacturers to produce optical transceiver module.

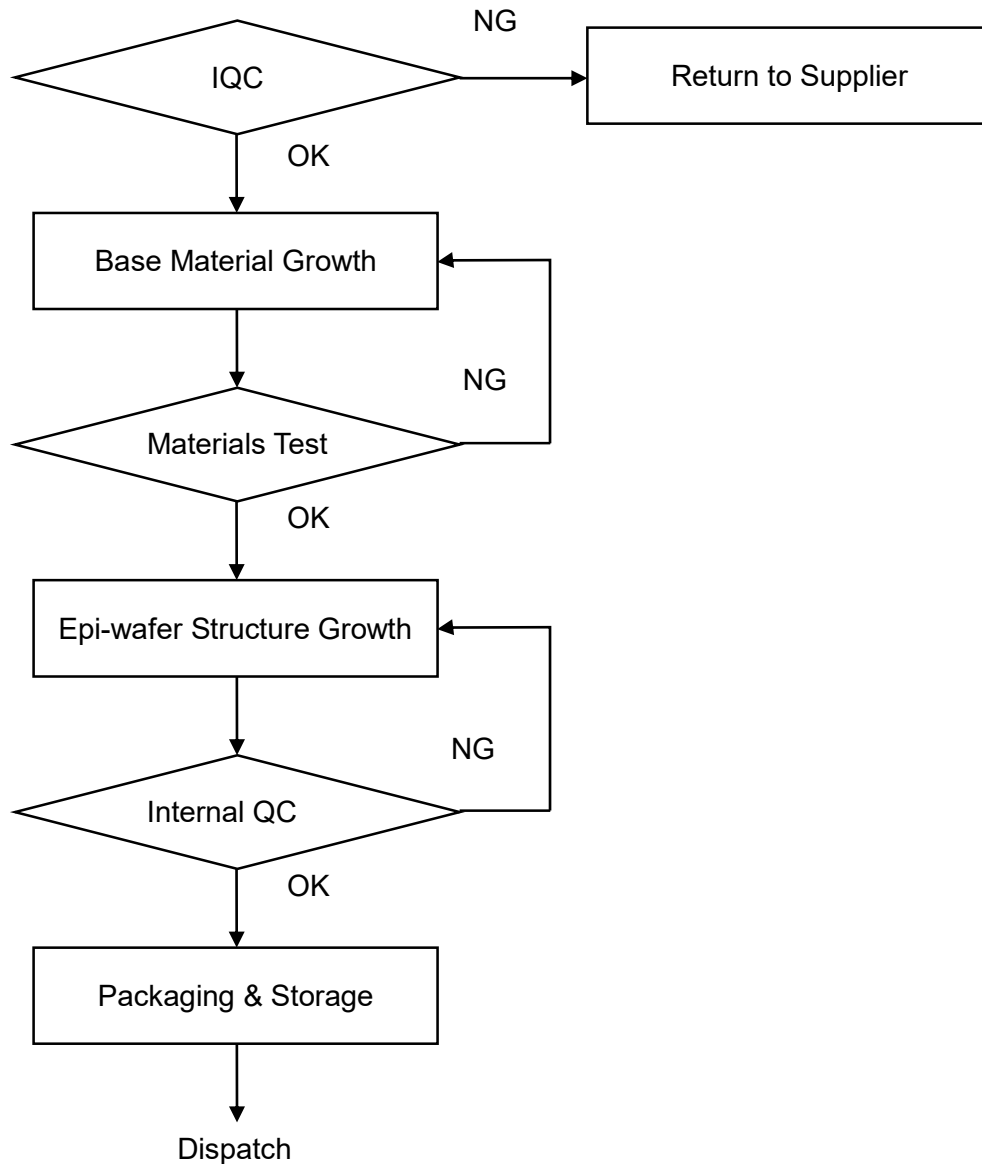
As the high-speed broadband network become widely deployed nowadays, Landmark has been collaborating with major international manufactures aggressively to develop laser epi-wafer of high-speed module such as 100G and 400G used by data centers. Also, the epi-wafers can be applied in various aspects, including 5G communication, consumer electronic devices, industrial cutting, medical items, and military industry. The Company offers technical support and collaborates with the clients to develop niche epi-wafer products to fulfill the increasing and various demand of the market.

Major application of the products and the applicable wavelength band:

Product Type	Major application	Applicable wavelength band
InP wafer	FP laser	1310nm, 1550nm
	DFB laser	1270nm~1650nm
	Avalanche photo-detector	1250nm~1600nm
	Photo-detector	1250nm~1600nm
GaAs wafer	Visible LD	635nm, 650~780nm
	Infrared LD : High Power(>10W)	808nm, 980nm
	VCSEL : RCLED	750nm, 850nm, 850~1100nm
	Photo-detector	<870nm
Processed InP wafer	RWG DFB laser(Ridge Waveguide)	1250nm~1650nm
	BH-FP/DFB laser(Buried Hetero structure)	1250nm~1650nm
	Photo-detector	1100nm~1600nm

b. Production process of the main products

The Company adopts MOCVD and the specification of products to use method of three gasses (TMAl, TMGa, TMIIn) and method of five gases (AsH3 & PH3) to produce its semiconductor epi-wafers. The manufacturing procedure is as below:



C. Supply of the important materials

Major Material	Main suppliers	Condition of supply
Substrate	Company A, Company B, Company C (Note)	Good
Mo-Source	Company D, Company E (Note), AKZO	Good

Note: The suppliers are presented in pseudo names because of their confidentiality agreement with the Company.

**D. Major Suppliers/Customers Accounting for above 10% (inclusive) of Purchases / Sales in recent 2 years**  
**a. Major Suppliers in recent 2 years**

Units: NT\$ thousands; %

Year Item	2019				2020			
Item	Name	Amount	% of Total Purchase	Relation with issuer	Name	Amount	% of Total Purchase	Relation with issuer
1	A Company (Note )	361,992	67.51	None	A Company (Note )	329,834	62.93	None
2	D Company (Note )	76,825	14.33	None	D Company (Note )	69,573	13.27	None
3	Others	97,397	18.16	None	Others	124,686	23.80	None
	Total	536,214	100.00			524,093	100.00	

Note: The supplier is noted by a pseudo name for it has signed a confidentiality agreement with the Company.

Illustration for changes in amount: No significant change.

**b. Major Customers in recent 2 years**

Units: NT\$ thousands; %

Year Item	2019				2020			
Item	Name	Amount	% of Total Sales	Relation with issuer	Name	Amount	% of Total Sales	Relation with issuer
1	Company δ (Note)	879,011	41.15	None	Company α (Note)	609,169	26.38	None
2	Company α (Note)	403,411	18.88	None	Company β (Note)	373,440	16.17	None
3	Company β (Note)	136,744	6.40	None	Company δ (Note)	209,086	9.06	None
4	Other	717,104	33.57	None	Other	1,117,394	48.39	None
		2,136,270	100.00			2,309,089	100.00	

Note: The customer is noted by a pseudo name for it has signed a confidentiality agreement with the Company.

Explanation for changes: In responses to the increasing demand for 5G network infrastructure in China, in 2020, the Company provided Company α and β a larger amount of products compared with 2019. Because the products of data center in 2020 is in specification transformation period, which made the demand of Company δ decrease, the sales amount to Company δ in 2020 was less than that in 2019 for smaller amount.

## E. Production in the last two years

Units: NT\$ thousands; pcs

Year Main Products	2019			2020		
	Production capacity	Yield	Value of output	Production capacity	Yield	Value of output
Epi-wafers	Note	63,962	1,349,948	Note	64,100	1,349,036

Note: The Company manufactures customized epi-wafers rather than standardized products for its clients, and the manufacturing facilities are mostly shared, so the production capacity cannot be estimated.

## F. Table of sales value in the most recent 2 years

Units: NT\$ thousands; pcs

Year Main Products	2019				2020			
	Domestic sales		Export		Domestic sales		Export	
	Number	Net sales	Number	Net sales	Number	Net sales	Number	Net sales
Epi-wafers	8,151	238,384	45,557	1,881,071	13,202	459,929	34,788	1,827,903
Other	0	1,104	0	15,711	0	1,503	0	19,754
Total	8,151	239,488	45,557	1,896,782	13,202	461,432	34,788	1,847,657

## iii. Human Resources

Unit: Persons; %

Year		2019	2020	As at March 31, 2021
Number of Employees	Direct Staff	226	244	231
	Indirect Staff	93	77	100
	Total	319	321	331
Average Age		36	37	37
Average Year of Service		4.4	5.11	4.97
Degree Distribution Ratio(%)	Ph.D.	3.74	3.74	3.62
	Masters	26.17	23.99	23.86
	College	63.55	64.17	63.76
	Senior High School	6.54	8.10	8.76
	Under Senior High School	-	-	-
	Total	100	100	100

Note: the data of current year up to the printing date of the annual report.

#### iv. Disbursements for Environmental Protection

A. According to the relevant laws, the Company should apply for license to establish pollution prevention facilities, apply for permit to emit polluted substance, submit pollution prevention fees, or designated a unit or person for environmental protection affairs. The condition for such application, payment, and establishment is summarized as below,

a. Application for permit to establish pollution prevention facilities or permit to emit polluted substance

March 31, 2021

Item	Title of certification and content
License to establish stationary pollution source	FAB1: The License for establishing stationary pollution source (License number D0150-01 issued by Southern Taiwan Science Park) issued on September 21, 2016, for "manufacturing procedure of wafers" (M02), which expires on June 19, 2021. FAB2: The License for establishing stationary pollution source (License number D0178-00 issued by Southern Taiwan Science Park) issued on August 5, 2019, for "manufacturing procedure of wafers" (M01), which expires on August 4, 2024.
License to operate stationary pollution source	FAB1: The License for establishing stationary pollution source (License number D0135-03 issued by Southern Taiwan Science Park), issued on April 22, 2019, for "manufacturing procedure of wafers" (M02), which expires on April 21, 2024. FAB2: The License for establishing stationary pollution source (License number D0155-00 issued by Southern Taiwan Science Park), issued on January 8, 2020, for "manufacturing procedure of wafers" (M01), which expires on January 7, 2025.
License to establish tube to sewage system	FAB1: The Company obtained the license for sewage system usage, which is issued by Southern Taiwan Science Park Bureau, on September 22, 2020 (License number: No. 1090025471 of Southern science park environmental protection affairs.) FAB2: The Company obtained the license for sewage system usage, which is issued by Southern Taiwan Science Park Bureau, on August 5, 2019 (License number: No. 1080021786 of Southern science park environmental protection affairs.)
License for water pollution control	FAB1: The Company obtained the license (document) on January 27, 2021 for water pollution control (License number D0102-09 issued by Southern Taiwan Science Park for water emission affairs), which expires on January 26, 2026. FAB2: The Company obtained the license (document) on November 14, 2019 for water pollution control (License number D0147-01 issued by Southern Taiwan Science Park for water emission affairs), which expires on November 13, 2024.
Plan for industrial waste treatment	FAB1: The Company obtained the permission for its industrial waste treatment plan on July 23, 2019 (License number 1080020614 issued by Southern Taiwan Science Park for environmental protection affairs). FAB2: The Company obtained the permission for its industrial waste treatment plan on August 9, 2019 (License number 1080022410 issued by Southern Taiwan Science Park for environmental protection affairs).



Documents for registration of toxic chemical substances	The Company obtained documents for registration of toxic chemical substances issued by municipal government of Tainan on August 17, 2019. The license for phosphine (License number: 000074 issued by Tainan Poison Registration) expired on July 16, 2023.
Permission for toxic chemical substances	FAB1: The Company obtained documents for registration of toxic chemical substances issued by municipal government of Tainan on August 17, 2020. The license for potassium dichromate and chlorine (License number: 000432 issued by Tainan Poison Registration) expires on February 12, 2024. FAB2: The Company obtained documents for registration of toxic chemical substances issued by municipal government of Tainan on August 17, 2020. The license for phosphine and chlorine (License number: 000431 issued by Tainan Poison Registration) expires on October 13, 2024.

b. Pollution control fees to be paid and the payment

Units: NT\$ thousands

Categories Year	2019	2020
Air pollution control fee	33	12
User fee of the sewage system	287	365
Soil and groundwater pollution remediation fees	41	29

c. The status of environmental dedicated staff which should be established.

(1) Designated person for air pollution control (with Class A technician license):

FAB1: Ching-Lun, Cheng (2007), License No. FA220375 for training by environmental protection bureau.

FAB2: Yu-Yi, Chao (2012), License No. FA260574 for training by environmental protection bureau.

(2) Designated person for waste water treatment: None.

(3) Professional for toxic chemical substance treatment:

FAB1: Ching-Lun Cheng (2016), License No. JA120142 for training by environmental protection bureau.

FAB2: Shao-Chi, Chen (2009), License No. JB020116 for training by environmental protection bureau.

B. The investment on main facilities for prevention of environmental pollution, the application, and potential benefit:

March 31, 2021 Units: NT\$ thousands

Name of equipment	Number	Date of obtaining	Acquisition Cost	Non-depreciation amount	Application and potential benefit
Sewage system	4	2012.07~2020.09	57,915	47,654	Treatment of wastewater from manufacturing procedure
Waste gas system	6	2012.07~2020.06	48,430	41,493	Treatment of waste gas from manufacturing procedure
Wet scrubber	13	2011.09~2020.06	57,036	20,587	Treatment of waste gas from manufacturing procedure

- C. Any dispute about pollution caused by the Company for its measures to eliminate environmental pollution in the most recent 2 years and in the current year until the printing date of annual report should be illustrated, and the reactive measures should be explained: None.
- D. If the Company suffers from any loss because of environmental pollution (including the compensation, outcome of review on environmental protection measures), the date of treatment, official number of treatment, the specific item of legal regulation it violates, the content of violation, content of treatment should be explained; the estimated amount of potential loss at present and in the future and the reactive measures should be revealed. When reasonable estimation cannot be provided, explanation for the such cases should be offered: None.
- E. The pollution at present, the impact of improving the condition on the Company's revenue, competitiveness, and capital expense, the estimated expenses on major environmental protection measures in the following two years: The Company did not suffer loss from affairs of pollution. The estimated expenses for waste treatment in the following 2 years is NT\$ 10,000 thousand.

## v. Labor Relations

- A. Set forth all employee benefit measures, opportunities for professional development and training, and the pension system, and the situation of their implementation. Also describe any negotiations/agreements between employer and employees and any measures to safeguard employee interests.

The Company values its employees and respect the uniqueness of each individual. The employees are the strategic assets of the Company that can bring competitive edge for the Company. So, the Company adopts the humane and systematic method for human resource management. Each employee is treated equally and offered an appropriate communication channel for expressing their opinions. The Company also seeks to help employees to reach work-life balance so that they could be long-term strategic partners of the Company.

The functional policy for human resource management are as below:

### a. Remuneration policy:

With consideration of the market trend and the operational conditions, the Company has established the remuneration policy that is incentive to the employees and competitive in the industry.

- To develop and establish a remuneration policy that is fair, reasonable, and equal for each employee.
- To establish remuneration policy based on the condition of supply and demand on the labor market.
- To “use” the talent appropriately and reach job objectives with their professional competence.

### (1) Employees' welfare

- Welfare measure of the Company: labor/health insurance, year-end-bonus and employee remuneration, draw-lots activities at year-end reward party, employee group insurance, health check, travel insurance, emergency allowances, maternity pension for 0-3-year-old child, talent recommendation awards, gift for employees' children for new semester start...etc.
- Measures of Welfare committee: Birthday bonus, holiday bonuses (on Mid-autumn festival, Dragon Boat festival, and Labor Day), marriage bonus, childbirth bonus, subsidy of funeral, illness compensation, travel bonus, charter stores, subsidies of clubs, etc.
- Irregularly scheduled employee relationship activities: the Company organized Family day, Mid-autumn festival party, funding projects, other events and athletics competitions in 2020 (involving 556 participants/times with the satisfaction level of 90%).

### (2) Pension system and practice

- The Company's pension system and guidelines for pension plans have

been established according to Labor Standard Act (old version), and employees' pension is allocated to a designated account of Taiwan Bank. The amount of pension afforded by the employee is calculated according to the base number for service years and the average salary within 6 months before the retirement. Each employee gets two base points for working every one year for the first 15 years after entering the Company and 1 base point for each, and forty-five is the maximal number.

- The Company adopted Labor Pension Act on July 1, 2005. The Defined Contributed Pension Plan (the new version) is adopted, and job tenure is traced back for service years before the above-mentioned provisions. The Monthly Contribution Wages Classification of Labor Pension is adopted, and 6% of the employee's monthly wage is allocated to the personal account for Bureau of Labor. The employee can allocate an additional amount within 6% of the monthly wage to the personal pension fund.

b. Policy for training and professional development:

(1) The Company emphasizes the employees' development and devotes itself to establishing a diverse and sustainable learning environment (including on-the-job training, training courses, online learning, work instruction, and job rotation). The Company also established an "Employee Education and Training Procedure" to integrate internal and external resources, motivate employees, improve personal performance through the training and development system. The system can improve operational performance of the Company by "cultivating" talents.

- Plans and need for employee training is established according to the core value of the organization and the annual operational guidelines.
- A training blueprint is established to specify required courses for each level as a necessary criterion for promotion, and the employees can qualify for the job at present and in the future.
- The internal lecturers for training courses of negotiation and courses of professional competence have been recruited, and the "Guidelines for selecting and managing lecturers" has been established.
- The training system is continuously optimized by competition, external auditing, and communication with external units.
- Employees for improvement in professional area is encouraged, and subsidy for on-the-job training is provided, and "Guidelines for Managing on-the-job training subsidy" has been established.

(2) The Company offers the following on-the-job training:

- Training for novice employee covers fundamental training and orientation to the Company, including belief of business operation,

welfare, remuneration, etc.

- General Education course covers industrial security, security hygiene, quality classification, emergency responses at the factory, etc.
- Training professional / occupational competence covers training for staff of different sections, including industrial equipment operation, manufacturing engineering, accounting, and other topics.
- Employee training covers the competence, technique, and attitude so that the technicians at the production line can qualify for operating the machines.
- Training for customization is the professional training to cultivate talents according to the status of the organization.

In 2020, there were 121 courses for professional development, which is 3,059 hours of training, and totally 1,559 person/times participated in the course.

c. Measures to protect employees' rights:

(1) The Company observes local regulations to promulgate and implement "human right policy," which species that all types of forced labor is strictly banned; the Company never force or threaten any people to conduct labor against their will.

(2) Employees are encouraged to complete the job effectively while maintaining a good work-life/health balance. It is also continuously communicating with, taking care of, and motivating employees so that they could have recognition for the organization.

(3) Channel of communication for employees:

- The open and transparent channels for mutual communication between the supervisors and the employees as well as those for communication between the colleagues have been established. The Company holds quarterly labor-management meeting so as to have the employee opinions heard and treated through a fair and effective mechanism. Hopefully, the harmony between labor and manager to reach win-win situation between the corporation and employees.
- Staff suggestion box is a channel for employees to reflect the issues for job and the working environment.
- The employee website publicizes important announcement of the Company, propaganda for recent activities, and other latest news.
- The Company offers the channel for confidential complaints of major issues in administration, finance, auditing, moral conduct, and other issues.

(4) Incentive plans

The Company encourages outstanding employees through internal

incentives and recognizes performance in different performance to optimize the competitiveness of the organization. The incentive plans are as below:

- The Company offers seniority incentives for veteran employees as a token of appreciation for their long-term commitment and contribution.
- The Company offers employees incentives for raising proposals to increase effectiveness in life and work, optimize work environment, enhance product quality, lower the defect rate, lower the cost, etc. The “Guidelines for enhancing proposal management” has been established, and employees would be awarded for proposing creative ideas.
- Subsidies for developing new techniques: The Company encourages to keep developing techniques. The internal will give awards and praises if there is excellent performance on research.
- Incentives for internal lecturer: To improve the quality of internal training courses so that the techniques and knowledge can be passed down, the Company has established “Regulations for management of lecturers” to specify certification and fee of lecturers; it also rewards outstanding lecturers that receive high ratings in class satisfaction survey.

(5) Talent retention

The Company emphasizes retaining employees with outstanding job performance for its continuous growth. It improves work environment in terms of employee adoption, professional growth, and career development as well as a competitive compensation package for its employees. In 2020, the annual Demission rate was 15.81%, which is still higher than last year but it is still recognized to be under control of the Company.

- B. Describe any loss suffered by the Company due to labor disputes in the most recent two fiscal years and in the current fiscal year up to the date of publication of the prospectus, and disclose an estimate for the amount of losses that have been incurred to date and may be incurred in the future, as well as response measures. If a reasonable estimate cannot be made, explain why not: None.

vi. Important Contracts

Types of contract	Involved parties	Starting date and expiration date of contract	Major content	Restrictions
Land lease	Southern Science Park Administration	August 1, 2010 - July 31, 2030	Lease of land in Southern Taiwan Science Park	The lease term should not exceed 20 years; a new contract could be established after expiration of the lease.
Land lease	Southern Science Park Administration	October 26, 2017 - October 25, 2037	Lease of land in Southern Taiwan Science Park	The lease term should not exceed 20 years; a new contract could be established after expiration of the lease.

## VI. Overview of the Company's Financial Status

### i. Condensed Balance Sheet and Statements of Comprehensive Income for the last 5 years

#### A. Simplified balance sheet—presented in the format of International Financial Report Standard

Units: NT\$ thousands

Year Item		Financial Summary for the last five years (Note 1)				
		2016	2017	2018	2019	2020
Current Assets		3,010,705	2,714,723	2,824,414	1,984,233	2,407,728
Property, plant and equipment		1,046,376	1,111,531	1,560,680	2,474,242	2,386,879
Right-of-use assets		—	—	—	318,047	322,034
Intangible assets		—	13,602	12,197	11,238	10,840
Other assets		21,456	210,231	52,772	42,740	64,008
Total assets		4,078,537	4,050,087	4,450,063	4,830,500	5,191,489
Current liabilities	Before distribution	342,319	325,470	413,710	448,258	519,081
	After distribution	1,067,036	778,330	868,551	811,989	(Note2)
Non-current liabilities		4,811	3,421	3,429	315,771	323,306
Total liabilities	Before distribution	347,130	328,891	417,139	764,029	842,387
	After distribution	1,071,847	781,751	871,980	1,127,760	(Note2)
Equity attributable to the parent company		3,731,407	3,721,196	4,032,924	4,066,471	4,349,102
Capital stock		912,577	905,732	909,802	909,512	913,732
Capital surplus		1,665,787	1,655,253	1,743,269	1,743,559	1,844,833
Retained earnings	Before distribution	1,399,045	1,200,139	1,443,936	1,439,033	1,664,138
	After distribution	674,328	747,279	989,095	1,075,302	(Note2)
Other equities		(99,821)	(39,928)	(64,083)	(25,633)	(73,601)
Treasury stock		(146,181)	—	—	—	—
Non-controlling equity		—	—	—	—	—
Total equity	Before distribution	3,731,407	3,721,196	4,032,924	4,066,471	4,349,102
	After distribution	3,006,690	3,268,336	3,578,083	3,702,740	(Note2)

Note 1: Financial information of each year has been certified by CPAs.

Note 2: The distribution of earnings in 2020 is to be adopted by the shareholders' meeting.

**B. Simplified composite income sheet—presented in the format of International Financial Report Standard**

Units: NT\$ Thousands

Item \ Year	Financial Summary for the last five years (Note 1)				
	2016	2017	2018	2019	2020
Operating revenue	2,110,063	2,038,618	2,362,205	2,136,270	2,309,089
Gross profit	1,258,363	1,103,037	1,275,861	1,027,307	1,164,478
Operating profit or loss	1,048,399	793,503	842,451	534,006	708,151
Non-operating revenue and expense	9,183	(2,167)	37,371	4,615	5,484
Net profit before tax	1,057,582	791,336	879,822	538,621	713,635
Net profit of continuing department	1,057,582	791,336	879,822	538,621	713,635
Loss of discontinued department	—	—	—	—	—
Net profit (loss)	875,447	655,569	696,822	450,150	590,736
Other comprehensive income (after tax)	30	379	(165)	(212)	(1,900)
Total comprehensive income	875,477	655,948	696,657	449,938	588,836
Net profit (loss) attributable to parent company	875,447	655,569	696,822	450,150	590,736
Net profit (loss) attributable to non-controlling equity	—	—	—	—	—
Total comprehensive income attributable to parent company	875,477	655,948	696,657	449,938	588,836
Total comprehensive income attributable to non-controlling equity	—	—	—	—	—
EPS (NT\$)(Note 2)	9.64	7.27	7.71	4.97	6.50

Note 1: Financial information of each year has been certified by CPAs.

Note 2: Earnings per share was calculated by weighted average number of ordinary shares, and the additional shares transmitted from earnings or additional paid-in capital can be calculated by retrospective adjustment.

**C. Names of CPAs in the most recent 5 years and audit opinion**

Year	Accounting Firm	CPA	Audit Opinion
2016	KPMG Taiwan	Hui-Yuan Chen, Chen-Lung Hsu	unqualified opinions
2017	KPMG Taiwan	Hui-Yuan Chen, Chen-Lung Hsu	unqualified opinions
2018	KPMG Taiwan	Hui-Yuan Chen, Chen-Lung Hsu	unqualified opinions
2019	KPMG Taiwan	Hui-Yuan Chen, Chen-Lung Hsu	unqualified opinions
2020	KPMG Taiwan	Yen-Da Su, Chen-Lung Hsu	unqualified opinions



## ii. Financial Analysis for the last 5 years

### A. IFRSs

<div> <div></div> <div>Year</div> </div> <div>Item</div>		Financial Analysis for the last five years (Note 1)				
		2016	2017	2018	2019	2020
Financial structure %	Liabilities to total assets	8.51	8.12	9.37	15.82	16.23
	Long-term fund to property, plant and equipment	357.06	335.09	258.63	177.11	195.75
Insolvency %	Current ratio	879.50	834.09	682.70	442.65	463.84
	Quick ratio	824.76	763.50	620.67	397.75	421.23
	Times Interest Earned	—	—	—	—	—
Utility	Receivables turnover (time)	4.90	6.06	5.16	4.60	4.34
	Average number of days receivables outstanding	74	60	71	79	84
	Inventory turnover (time)	5.23	4.66	4.64	5.00	5.72
	Payables turnover (time)	10.18	11.02	15.55	15.00	11.34
	Average number of days of sales	70	78	79	73	64
	Property, plant and equipment turnover (time)	2.13	1.89	1.77	1.06	0.95
	Total assets turnover (time)	0.52	0.50	0.60	0.50	0.50
Profitability	ROA (%)	21.69	16.13	16.40	9.78	11.85
	ROE (%)	23.92	17.59	17.97	11.12	14.04
	Income before tax to paid-in capital (%)	115.89	87.37	96.70	59.22	78.10
	Profit margin (%)	41.49	32.16	29.50	21.07	25.58
	EPS (NT\$)	9.64	7.27	7.71	4.97	6.50
Cash flow	Cash flow ratio (%)	394.93	229.19	256.86	200.92	195.91
	Cash flow adequacy ratio (%)	130.20	112.14	108.45	89.85	92.11
	Cash flow reinvestment ratio (%)	16.25	0.45	11.43	7.77	10.10
Leverage	Operating leverage	1.21	1.36	1.42	1.74	1.66
	Financial leverage	1.00	1.00	1.00	1.01	1.01
Explanation of reasons for changes in each financial rate in the most recent two years: (no analysis is necessary when the ratio of change is under 20%) 1. Decrease in turnover ratio of account payable: it is mainly resulted in the increase of stock up with the performance growth and the increase of account payable. 2. Each goal for Profitability is higher than the previous year: it is mainly resulted in the profit after tax in 2020 was higher than the previous year. 3. Increase in the cash re-investment ratio: the amount of cash flow into operating activities in 2020 was higher than the previous year.						

Note 1: The financial information is certified by CPAs.

Formula illustration:

1. Financial structure

- (1) Liabilities to total assets =  $\text{Total liabilities} / \text{total assets}$
- (2) Long-term capital to property, plant and equipment =  $(\text{total equity} + \text{non-current liabilities}) / \text{property, plant and equipment, net}$

2. Insolvency

- (1) Current ratio =  $\text{current assets} / \text{current liabilities}$
- (2) Quick ratio =  $(\text{current assets} - \text{inventory} - \text{prepayment}) / \text{current liabilities}$
- (3) Times Interest Earned =  $\text{income tax and interest expenses} / \text{net income before income tax/interest expenses in the current period}$

3. Business performance

- (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover =  $\text{net sales} / \text{balance (gross) of average accounts receivable (including accounts receivable and notes receivable resulting from operation)}$
- (2) Average number of days receivable outstanding =  $365 / \text{accounts receivable turnover}$
- (3) Inventory turnover =  $\text{sale cost} / \text{average inventory}$
- (4) Payables (including accounts payable and notes payable resulting from operation) turnover =  $\text{net sales} / \text{balance (gross) of average accounts payable (including accounts payable and notes payable resulting from operation)}$
- (5) Average number of days of sales =  $365 / \text{inventory turnover}$
- (6) property, plant and equipment turnover =  $\text{net sales} / \text{average property, plant and equipment, net}$
- (7) Total assets turnover rate =  $\text{net sales} / \text{average total assets}$

4. Profitability

- (1) ROA =  $[\text{income after income tax} + \text{interest expense} * (1 - \text{tax rate})] / \text{average total assets}$ .
- (2) ROE =  $\text{Income after income tax} / \text{average total equity}$
- (3) Profit margin =  $\text{Income After income tax} / \text{net sales}$
- (4) Earnings per Share =  $(\text{income attributable to parent company} - \text{dividends from preferred shares}) / \text{weighed average quantity of outstanding shares}$

5. Cash flow

- (1) Cash flow ratio =  $\text{Net cash flow from operating activities} / \text{current liabilities}$
- (2) Net cash flow adequacy ratio =  $\text{Net cash flow from operating activities in the most recent five years} / (\text{capital spending} + \text{increase in inventory} + \text{cash dividends}) \text{ in the most recent five years}$
- (3) Cash reinvestment ratio =  $(\text{Net cash flow from operating activities} - \text{cash dividends}) / (\text{gross of property, plant and equipment} + \text{long-term investment} + \text{other non-current assets} + \text{working capital})$

6. Leverage:

- (1) Operating leverage =  $(\text{Net operating revenue} - \text{changed operating costs and expenses}) / \text{operating income}$
- (2) Financial leverage =  $\text{Operating income} / (\text{operating income} - \text{interest expenses})$

### iii. Audit Committee's Review Report

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

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements and proposal for allocation of earnings. The CPA firm of KPMG was retained to audit LandMark Optoelectronics Corporation's Financial Statements and has issued an audit reports with unqualified opinion relating to the Financial Statements.

The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of LandMark Optoelectronics Corporation. According to relevant Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

LandMark Optoelectronics Corporation 2021 Annual Shareholders' Meeting

Convener of the Audit Committee: *James Wang*  
February 3, 2021

- iv. Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report: Please refer to Appendix 1.
- v. Parent Company Only Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report: Not applicable.
- vi. Financial Difficulties for the Company and its Affiliates:  
The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2020 and as of the date of this Annual Report: None.

## VII. The Review and Analysis of the Company's Financial Position and Financial Performance as well as Assessment of Risks

### i Analysis of Financial Status

Units: NT\$ thousands; %

Item \ Year	2019	2020	Amount Variance	Ratio Variance (%)
Current Assets	1,984,233	2,407,728	423,495	21.34
Property, plant and equipment	2,474,242	2,386,879	(87,363)	(3.53)
Right-of-use Assets	318,047	322,034	3,987	1.25
Intangible assets	11,238	10,840	(398)	(3.54)
Other assets	42,740	64,008	21,268	49.76
Total assets	4,830,500	5,191,489	360,989	7.47
Current liabilities	448,258	519,081	70,823	15.80
Non-current liabilities	315,771	323,306	7,535	2.39
Total liabilities	764,029	842,387	78,358	10.26
Capital stock	909,512	913,732	4,220	0.46
Capital surplus	1,743,559	1,844,833	101,274	5.81
Retained earnings	1,439,033	1,664,138	225,105	15.64
Other equities	(25,633)	(73,601)	(47,968)	187.13
Total shareholders' equity	4,066,471	4,349,102	282,631	6.95
<p>Significant changes in assets, liabilities, and equities in the most recent two years (when the change is over 20 percent and the absolute amount of change amounts to NT 10 million dollars), the main reason, the impact, and the Company's responsive measures:</p> <p>(1) The current assets increase because of the growth of revenue and profit in 2020, causing the increasing of cash and cash equivalents, account receivable and stockings.</p> <p>(2) The other assets increase because of the increasing of prepaid equipment in 2020.</p> <p>(3) The other equities increased because of the issuance of restrictive stock awards in 2020.</p>				

## ii. Financial performance

### A. Profit and loss statement of the most recent two years

Units: NT\$ thousands; %

Item \ Year	2019	2020	Amount Variance	Ratio Variance (%)
Operating revenue	2,136,270	2,309,089	172,819	8.09
Operating cost	1,108,963	1,144,611	35,648	3.21
Gross profit	1,027,307	1,164,478	137,171	13.35
Operating expenses	493,301	456,327	(36,974)	-7.50
Operating profit	534,006	708,151	174,145	32.61
Non-operating revenue and expense	4,615	5,484	869	18.83
Net profit before tax	538,621	713,635	175,014	32.49
Income tax expense	88,471	122,899	34,428	38.91
Net profit	450,150	590,736	140,586	31.23
Total other comprehensive income (after tax)	(212)	(1,900)	(1,688)	796.23
Total comprehensive income	449,938	588,836	138,898	30.87
Explanation of reasons for changes in each financial rate in the most recent two years: (no analysis is necessary when the ratio of change is under 20%) (1) The operating profit, net profit before tax, net profit and total other comprehensive income of the year increased because the revenue in 2020 increased. (2) The income tax expense increased because the net profit before tax in 2020 increased.				

### B. Sales volume forecast and related information, its impact on the financing business of the Company, and plan of responsive matters.

The estimated number of sales I based on the schedule of launching products, operation plans, prediction on marker demand, trend in competition in the industry, the prospective in business with the major client, and other conditions. The Company is devoting more resources in research and development to keep up with the latest technology. By constantly upgrading product quality, the Company is expected to explore new clients and increase its market share; the growth momentum remains strong in the following years.

### iii. Analysis of Cash Flow

#### A. Illustration on changes of the cash flow in the recent years

Units: NT\$ thousands

Cash balance – beginning of the period (1)	Cash flow of operating activities throughout the year (2)	Amount of cash outflow throughout the year (3)	Amount of surplus (shortage) of cash. (1)+(2)+(3)	Responsive measures with cash balance	
				Investment plan	Financing plan
1,340,648	1,016,952	(810,920)	1,546,680	—	—
(1) Operating activities: The cash inflow is NT\$1,016,952 thousand, which is mainly from sales transaction. (2) Investing activities: The cash outflow is NT\$ 455,744 thousand, which is mainly from procurement of real estate, plants and equipment. (3) Financing activities: The cash outflow is NT\$ 353,038 thousand, which is mainly from cash dividend issuance. (4) The amount of effects of exchange rate changes on balance of cash held in foreign currencies is NT\$ 2,138 thousand.					

#### B. Remedy for Cash Deficit and Liquidity Analysis: Not applicable.

#### C. Cash Flow Analysis for the coming year

Cash balance – beginning of the period (1)	The estimated cash flow of operating activities throughout the year (2)	The estimated cash flow of investment and financing activities throughout the year (3)	The estimated amount of surplus (shortage) of cash. (1)+(2)+(3)	Responsive measures with cash balance	
				Investment plan	Financing plan
1,546,680	1,302,850	(806,846)	2,042,684	—	—
1. Analysis on changes in cash flow in the following year: (1) Operating activities: The cash inflow from the collected receivables for operating activities in 2021 is expected to be NT\$ 1,302,850 thousand. (2) Investing activities: The capital expenditure for procurement of real estate, factory buildings and facilities in 2021 is expected to be NT\$ 350,000 thousand, which will result in cash outflow for investment in production facilities. (3) Financing activities: The cash outflow for issuing cash dividend in 2021 is estimated to be NT\$ 456,846 thousand, which will result in cash outflow for investment activities. 2. Remedial Actions for Cash deficit and Liquidity Shortfall: Not applicable.					

### iv. Major Capital Expenditure Items

Project	The actual or planned source of capital	The estimated amount of capital required	Schedule for capital use	
			2020 (actual expenditure)	2021 (estimated expenditure)
Capital Expenditure of equipment purchase	Private capital	261,436	182,522	78,914

The Company has stable profit earnings; the above-mentioned expenditures do not have major impact on its financing condition for the private capital remains abundant.

v. The Company's Reinvestment Policy for the most recent fiscal year, the main reasons for the profits or losses generated thereby, the plan for improving re-investment profitability, and investment for the coming year.

1. The Company's reinvestment policies: None.
2. Main reason for profits or loss: Not applicable.
3. Plans of improvement: Not applicable.
4. Investment plan for the following year: None.

vi. Risk Management

1. The effect on the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

(1) Changes in interest

The Company has abundant private capital, and there is no need to loan from financial institutes. Changes in interest rate may not have significant impact on the Company's operation.

(2) Changes in exchange rate

A significant proportion of the Company's product are sold overseas, and the receivables of such cases would be calculated in U.S. dollars. The purchasing price of raw materials is also calculated in U.S. dollars. The loss from exchanging currencies in 2020 was NT\$ 22,161 thousand, taking up 0.96% of the annual revenue; the impact is relatively low. However, such impact of fluctuation in exchange rate may still influence the operation. So, the Company would continuous estimate and manage the revenue in U.S. dollars. It would also invest in derivative financial products like forward currency contracts to reduce the impact of fluctuation in exchange rate.

(3) Inflation

There is no significant impact of inflation on the Company's operation so far. To stabilize the price, the Company keeps up with the latest political and economic changes around the globe, maintain good relationship with suppliers and clients, adjust procurement and sales strategies to take proper measure in response of the changing situations, such as inflation, to avoid suffering from loss.

2. The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transaction; the main reasons for the profits/ losses generated thereby; and response measures to be taken in the future.

(1) The Company focuses on researching, manufacturing, and sales, and it is not involved in high-risk and high-leverage investment.

(2) The Company is not involved in any loans or endorsement in the most

recent year and in current year until the printing date of the annual report. The Company has also established “Regulations Governing Loaning of Funds” and “Regulations Governing Making Endorsements and Guarantees” for future reference.

(3) The Company is only involved in the Forward exchange transaction and no investment in other types of derivative financial products is made. The Company has established “Procedure for Acquisition or Disposal of Assets” to regulate such transaction. The Company will remain cautious about making such transactions and avoid risk of exchange rate.

3. Research and development work to be carried out in the future, and further expenditures expected for research and development work:

The Company’s product is mainly applied in optical communication, and it is the key active component of communication and transmission, Optical communication will become the mainstream in the future, and greater demand for high-speed and transmission of massive information will occur with establishment of base stations, data transmission and storage through optical techniques, household optical fiber, cloud computing, and other applications. Besides, laser products in consumer electronic device will be one of the focused aspects in the future.

The expenditure on research and development took up around 12%~15% of the annual revenue in recent years. As more products are under development, it is expected that such expenditure will remain the same or increase in the following years; the Company can thus remain competitive with diversified strategies.

4. Effect on the Company’s financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The Company has established relevant operation guidelines and procedures and it follows relevant regulations and laws at home and abroad. No major impact on the operation of the Company has occurred for changes in the domestic and overseas policies and laws, and the Company will closely follow such changes. It will also ask lawyers, CPAs, and other professionals to offer suggestions, make evaluations, and plan measures in response to lower negative impact of following altered regulation on the financial condition of the Company.

5. Effect on the Company’s financial operations of developments in science and technology as well as industrial change, and the measures to be taken in



response:

- (1) The Company keeps up with development of the industry, notes the changes in operating environment, collect information about the market, and adjusts operating strategies and product allocation accordingly for keeping its edge on the market. No impact of above-mentioned phenomenon on the Company's business has occurred in the recent year and in current year until the printing date of annual report.
- (2) Risk evaluation of information security: The Company has established operational procedures for treatment of information processing system on the computer and properly implement the policy for internal control and information security.
6. Effect on the Company's crisis management of changes in the Company's corporate image, and the measure to be taken in response:  
No such situation as to damage the corporate image has occurred in the past. The Company keeps innovating its products and optimizing the service to cater to clients' needs. The Company will take care of shareholders' benefit as well as fulfill its corporate social responsibility by taking care of its employees, their families, and the minority group.
7. Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:  
The Company has no plan for merger or acquisition in the recent year or in current year until the printing date of the annual report. The future plan for merger and acquisition in the following year will be conducted according to relevant laws with thorough consideration over profit evaluation, risk management, maximization of profit, and minimization of risk.
8. Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:  
Plant No. 2 in Southern Science Park has been launched in the 4th quarter in 2019. Increase in manufacturing machines to fulfill demand from client as well as expansion of business scale is possible, which will help the Company to expand the revenue. The expansion is conducted with consideration of the industrial trend and the potential for development. If the economic environment become less prosperous and market demand decreases in the future, besides from separately expanding production line regard to the market change, the Company will also actively seek new clients, develop new technology, increase the yield rate and decrease the cost, expand the production benefit and establish a long competitive advantage.
9. Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

- (1) Risks associated with any consolidation of purchasing operations and the mitigation measures.

The Company is in good collaborative relationship with each raw material supplier. For each type of products, there would be two or more suppliers involved, abundant supply of materials can ensure stable production and delivery. The largest raw material supplier offered about 62% of the purchased material in 2020, and such consolidation measure can reduce cost and ensure more efficient management of the supplier. Close collaboration between the Company and the supplier can ensure establishment of inventory management system and avoid the risk of shortage in raw materials. The Company is constantly introducing new suppliers, and the clients are encouraged to conduct inspection on the products so as to ensure flexibility as well as avoid the risk in consolidation of purchasing operations. The Company will constantly make adjustments in weighing for purchasing amount from different suppliers to ensure stable supply of raw materials.

- (2) Risks associated with any consolidation of sales and the mitigation measures

The top three clients in 2020 contributed to about 52% of the Company's annual revenue. The Company mainly offered the epi-wafers for application in products of data center and optical fibers. The Company established strong connection with the clients, which ensures stable amount of order and revenue.

For the purpose of risk spreading, the Company has been seeking collaboration with new clients from the U.S., Japan, and Europe. As the scale of revenue continues to grow, the impact of sales to a single client would decrease. Another management measure for risk associated with consolidation of sales is to diverse its sales to different regions and develop products for various applications.

10. The impact and risk brought by changes in directors, supervisors, or top-ten major shareholders possessing over 10 percent of outstanding stocks, transfer or change of a large number of shares and mitigation measures being or to be taken: None.
11. The impact and risk brought by changes in the Company's management right and mitigation measures being or to be taken: None.
12. Lawsuit events and non-contentious events:
- (1) If the Company is involved in a lawsuit event, a non-contentious case, or an administrative lawsuit event which is convicted or still under the lineage until the printing date of annual report, which has great impact on equity of shareholder or price of stock, and such condition has significant impact on

shareholders' equities, the factual argument, value of target object, starting date of the lawsuit, involved parties, and treatment at present should be presented: None.

(2) If the Company's director, supervisor, general manager, actual owner, shareholders possessing over 10 percent of outstanding shares, and the affiliations is involved in a lawsuit event, a non-contentious case, or an administrative lawsuit event which is convicted or still under the lineage until the printing date of annual report, which has great impact on equity of shareholder or price of stock, and such condition has significant impact on shareholders' equities, the major impact should be revealed: None.

13. Other significant risks and responsive measures: The Company has been following the latest requirement for developing internal auditing system and relevant regulations to reinforce corporate risk management.

vii. Other Notable Matters: None.

## **VIII. Special Disclosure**

i. Information Related to the Company's Affiliates: None.

ii. A Private Placement of securities during the most recent year or during the current fiscal year up to the date of publication of the annual report: None.

iii. Possession or Disposal of Shares in the Company by the Company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

iv. Other Matters that require additional description: None.

v. Any of the Situations Listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders equity or the price of the Company's securities which has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report shall be listed one by one: None.

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

## **LANDMARK OPTOELECTRONICS CORPORATION**

### **Financial Statements With Independent Auditors' Report**

**For the Years Ended December 31, 2020 and 2019**

Address: No.12, Nanke 9th Rd, Shanhua Dist., Tainan City, Taiwan R.O.C  
Telephone: 886-6-505-8999

The independent auditors' report and the accompanying 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 financial statements, the Chinese version shall prevail.

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## Independent Auditors' Report

To the Board of Directors of LandMark Optoelectronics Corporation:

### Opinion

We have audited the financial statements of LandMark Optoelectronics Corporation("the Company"), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 ended December 31, 2020 and 2019 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 audits 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 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 matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

#### Valuation of inventories

Please refer to Note 4(g) "Inventories", Note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty," and Note 6(C) "Inventories" of the financial statements.

#### Description of key audit matter:

The inventories of the Company are measured at the lower of cost and net realizable value. Since the technology in the optoelectronic industry changes rapidly, the old models may quickly be replaced by new ones, resulting in a risk wherein the carrying value of inventories may exceed its net realizable value. Therefore, we determined that the assessment of the valuation of inventories was a key audit matter.

#### How the matter was addressed in our audit:



- Inspected the inventory aging report and analyzed the trends of inventory aging.
- Evaluated the rationality of the Company's accounting policies, such as the policy of provision for inventory valuation and obsolescence.
- Understood whether the valuation of inventory was performed in accordance with the Company's policy.
- Assessed the provision for inventory valuation and obsolescence by categorizing the inventories, including sampling and inspecting the accuracy of the inventory aging report and net realizable value of inventories.
- Performed a retrospective review to comparatively analyze the historical accuracy of judgments with reference to actual disposal to assess the rationality of the judgments and assumptions of the current period.
- Assessed whether the disclosure of provision for inventory valuation and obsolescence was appropriate.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Audit Committee) are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the 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 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

(Continued)

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 individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or 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 individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 individual 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 Yen-Ta Su and Chen-Lung Hsu.

KPMG

Tainan, Taiwan (the Republic of China)

February 3, 2021

#### Notes to Readers

The accompanying 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 financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying 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 financial statements, the Chinese version shall prevail.



(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**LANDMARK OPTOELECTRONICS CORPORATION**

**Balance Sheets**

**December 31, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars)

		<b>December 31, 2020</b>		<b>December 31, 2019</b>				<b>December 31, 2020</b>		<b>December 31, 2019</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>			<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>						<b>Liabilities and Equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 1,546,680	30	1,340,648	29	2130	Contract liabilities (note 6(n))	10,378	-	10,734	1
1170	Trade receivables, net (notes 6(b)(n))	630,445	12	429,662	9	2150	Notes payable	248	-	562	-
1310	Inventories(note 6(c))	208,036	4	192,527	4	2170	Trade payables	110,432	2	90,583	2
1410	Prepayments	13,190	-	8,757	-	2200	Other payables (note 6(i))	272,513	5	332,767	7
1470	Other current assets	5,709	-	9,988	-	2230	Current tax liabilities	116,695	3	4,889	-
1476	Other financial assets— current (note 8)	3,668	-	2,651	-	2280	Current lease liabilities (note 6(h))	7,799	-	7,667	-
		<u>2,407,728</u>	<u>46</u>	<u>1,984,233</u>	<u>42</u>	2300	Other current liabilities	<u>1,016</u>	<u>-</u>	<u>1,056</u>	<u>-</u>
								<u>519,081</u>	<u>10</u>	<u>448,258</u>	<u>10</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1600	Property, plant and equipment (notes 6(d) and 9)	2,386,879	46	2,474,242	51						
1755	Right-of-use assets (note 6(e))	322,034	7	318,047	7	2580	Non-current lease liabilities (note 6(h))	317,789	6	312,348	6
1780	Intangible assets (note 6(f))	10,840	-	11,238	-	2640	Net defined benefit liability— non-current(notes 6(i))	<u>5,517</u>	<u>-</u>	<u>3,423</u>	<u>-</u>
1840	Deferred tax assets (note 6(j))	17,512	-	22,862	-			<u>323,306</u>	<u>6</u>	<u>315,771</u>	<u>6</u>
1980	Other financial assets— non-current (note 8)	13,235	-	12,564	-			<u>842,387</u>	<u>16</u>	<u>764,029</u>	<u>16</u>
1900	Other non-current assets (notes 6(g) and 9)	<u>33,261</u>	<u>1</u>	<u>7,314</u>	<u>-</u>						
		2,783,761	54	2,846,267	58						
						<b>Total liabilities</b>					
						<b>Equity attributable to owners of the company (notes 6(j)(k)(l)):</b>					
						3110	Capital stock	<u>913,732</u>	<u>18</u>	<u>909,512</u>	<u>19</u>
						3200	Capital surplus	<u>1,844,833</u>	<u>35</u>	<u>1,743,559</u>	<u>36</u>
							Retained earnings:				
						3310	Legal reserve	522,596	10	477,581	10
						3350	Unappropriated earnings	<u>1,141,542</u>	<u>22</u>	<u>961,452</u>	<u>20</u>
								<u>1,664,138</u>	<u>32</u>	<u>1,439,033</u>	<u>30</u>
						3491	Deferred compensation cost arising from issuance of restricted stock	<u>(73,601)</u>	<u>(1)</u>	<u>(25,633)</u>	<u>(1)</u>
							<b>Total equity</b>	<u>4,349,102</u>	<u>84</u>	<u>4,066,471</u>	<u>84</u>
<b>Total assets</b>		<u><b>\$ 5,191,489</b></u>	<u><b>100</b></u>	<u><b>4,830,500</b></u>	<u><b>100</b></u>		<b>Total liabilities and equity</b>	<u><b>\$ 5,191,489</b></u>	<u><b>100</b></u>	<u><b>4,830,500</b></u>	<u><b>100</b></u>

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**LANDMARK OPTOELECTRONICS CORPORATION**

**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)

		<b>2020</b>		<b>2019</b>	
		<u><b>Amount</b></u>	<u><b>%</b></u>	<u><b>Amount</b></u>	<u><b>%</b></u>
4100	<b>Operating revenue (note 6(n))</b>	2,309,089	100	2,136,270	100
5000	<b>Operating costs (notes 6(c)(h)(i)(l)(o), 7 and 12)</b>	<u>1,144,611</u>	<u>49</u>	<u>1,108,963</u>	<u>52</u>
5900	<b>Gross profit</b>	<u>1,164,478</u>	<u>51</u>	<u>1,027,307</u>	<u>48</u>
6000	<b>Operating expenses (notes 6(b)(h)(i)(l)(o), 7 and 12):</b>				
6100	Selling and marketing expenses	68,769	3	65,100	3
6200	General and administrative expenses	113,478	5	98,755	5
6300	Research and development expenses	<u>274,080</u>	<u>12</u>	<u>329,446</u>	<u>15</u>
		<u>456,327</u>	<u>20</u>	<u>493,301</u>	<u>23</u>
6900	<b>Operating income</b>	<u>708,151</u>	<u>31</u>	<u>534,006</u>	<u>25</u>
7000	<b>Non-operating income and expenses (notes 6(h)(p)):</b>				
7100	Interest income	7,580	-	12,244	-
7020	Other gains and losses	1,969	-	(3,270)	-
7050	Finance costs	<u>(4,065)</u>	<u>-</u>	<u>(4,359)</u>	<u>-</u>
		<u>5,484</u>	<u>-</u>	<u>4,615</u>	<u>-</u>
7900	<b>Profit before income tax</b>	713,635	31	538,621	25
7950	<b>Income tax expenses (notes 6(j))</b>	<u>122,899</u>	<u>5</u>	<u>88,471</u>	<u>4</u>
8200	<b>Net profit</b>	<u>590,736</u>	<u>26</u>	<u>450,150</u>	<u>21</u>
8300	<b>Other comprehensive income (notes 6(i)(j)):</b>				
8310	<b>Item that will not be reclassified subsequently to profit or loss:</b>				
8311	Remeasurements of the defined benefit plans	(2,374)	-	(265)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>474</u>	<u>-</u>	<u>53</u>	<u>-</u>
8300	<b>Other comprehensive income (after tax)</b>	<u>(1,900)</u>	<u>-</u>	<u>(212)</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u><u>\$ 588,836</u></u>	<u><u>26</u></u>	<u><u>449,938</u></u>	<u><u>21</u></u>
	<b>Earnings per share (in dollars), after tax (note 6(m))</b>				
9750	<b>Basic earnings per share</b>	<u><u>\$ 6.50</u></u>		<u><u>4.97</u></u>	
9850	<b>Diluted earnings per share</b>	<u><u>\$ 6.48</u></u>		<u><u>4.94</u></u>	

See accompanying notes to financial statements.

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

**LANDMARK OPTOELECTRONICS CORPORATION****Statements of Changes in Equity****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

	Capital stock	Capital surplus	Retained earnings		Deferred compensation cost	Total equity
			Legal reserve	Unappropriated earnings		
<b>Balance at January 1, 2019</b>	\$ 909,802	1,743,269	407,899	1,036,037	(64,083)	4,032,924
Net Profit	-	-	-	450,150	-	450,150
Other comprehensive income	-	-	-	(212)	-	(212)
Total comprehensive income	-	-	-	449,938	-	449,938
Appropriation of 2018 earnings in 2019:						
Legal reserve	-	-	69,682	(69,682)	-	-
Cash dividends	-	-	-	(454,841)	-	(454,841)
Restricted stock retired	(290)	290	-	-	-	-
Compensation cost arising from restricted stock	-	-	-	-	38,450	38,450
<b>Balance at December 31, 2019</b>	<b>\$ 909,512</b>	<b>1,743,559</b>	<b>477,581</b>	<b>961,452</b>	<b>(25,633)</b>	<b>4,066,471</b>
Net Profit	-	-	-	590,736	-	590,736
Other comprehensive income	-	-	-	(1,900)	-	(1,900)
Total comprehensive income	-	-	-	588,836	-	588,836
Appropriation of 2019 earnings in 2020:						
Legal reserve	-	-	45,015	(45,015)	-	-
Cash dividends	-	-	-	(363,731)	-	(363,731)
Share-based payments transaction-restricted stock	4,420	103,128	-	-	(90,161)	17,387
Restricted stock repurchased	-	(2,054)	-	-	1,717	(337)
Restricted stock retired	(200)	200	-	-	-	-
Compensation cost arising from restricted stock	-	-	-	-	40,476	40,476
<b>Balance at December 31, 2020</b>	<b>\$ 913,732</b>	<b>1,844,833</b>	<b>522,596</b>	<b>1,141,542</b>	<b>(73,601)</b>	<b>4,349,102</b>

See accompanying notes to financial statements.

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

**LANDMARK OPTOELECTRONICS CORPORATION****Statements of Cash Flows****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

	<b>2020</b>	<b>2019</b>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 713,635	538,621
Adjustments:		
Adjustments to reconcile profit / loss:		
Depreciation expenses	456,756	388,188
Amortization expenses	5,506	5,279
Expected credit loss	106	-
Interest expense	4,065	4,359
Interest income	(7,580)	(12,244)
Compensation cost arising from restricted stocks	40,476	38,450
Unrealized foreign exchange losses	4,525	6,123
<b>Total adjustments to reconcile profit / loss</b>	<b>503,854</b>	<b>430,155</b>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease in notes receivable	-	178
Decrease (increase) in trade receivables	(204,012)	59,829
Decrease (increase) in inventories	(31,956)	58,413
Increase in prepayments	(4,433)	(3,059)
Decrease in other current assets	4,279	4,404
<b>Total changes in operating assets</b>	<b>(236,122)</b>	<b>119,765</b>
<b>Changes in operating liabilities:</b>		
Increase (decrease) in contract liabilities	(356)	5,655
Increase (decrease) in notes payable	(314)	22
Increase in trade payables	20,536	35,502
Increase (decrease) in other payables	17,793	(31,675)
Increase (decrease) in other current liabilities	(40)	190
Decrease in defined benefit liability—non-current	(280)	(271)
<b>Total changes in operating liabilities</b>	<b>37,339</b>	<b>9,423</b>
<b>Net changes in operating assets and liabilities</b>	<b>(198,783)</b>	<b>129,188</b>
<b>Total adjustments</b>	<b>305,071</b>	<b>559,343</b>
Cash generated from operations	1,018,706	1,097,964
Interest received	7,580	12,959
Interest paid	(4,065)	(4,359)
Income tax paid	(5,269)	(205,904)
<b>Net cash generated from operating activities</b>	<b>1,016,952</b>	<b>900,660</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(419,141)	(1,135,846)
Acquisition of intangible assets	(3,727)	(2,170)
Decrease (increase) in other financial assets—current and non-current	(1,688)	6,501
Increase in other non-current assets	(31,188)	(12,227)
<b>Net cash used in investing activities</b>	<b>(455,744)</b>	<b>(1,143,742)</b>
<b>Cash flows from (used in) financing activities:</b>		
Payment of lease liabilities	(8,331)	(7,565)
Cash dividends	(363,731)	(454,841)
Issuance (repurchase) of restricted stock	19,024	(965)
<b>Net cash used in financing activities</b>	<b>(353,038)</b>	<b>(463,371)</b>
<b>Effects of exchange rate changes on balance of cash held in foreign currencies</b>	<b>(2,138)</b>	<b>(1,445)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>206,032</b>	<b>(707,898)</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>1,340,648</b>	<b>2,048,546</b>
<b>Cash and cash equivalents at the end of year</b>	<b>\$ 1,546,680</b>	<b>1,340,648</b>

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**LANDMARK OPTOELECTRONICS CORPORATION**

**Notes to the Financial Statements**

**For the years ended December 31, 2020 and 2019**

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

**(1) Company history**

LandMark Optoelectronics Corporation (the “Company”) was incorporated on June 2, 1997 as a company limited by shares under the laws of the Republic of China (ROC). The Company is primarily engaged in the manufacturing, processing and selling of optical semi-conductors, laser diodes, and high brightness InAlGaP/AlGaInAs.

The Company’s stock was listed as a general stock on the Taipei Exchange on July 22, 2015.

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

The financial statements were authorized for issuance by the Board of the Company on February 3, 2021.

**(3) New standards, amendments and interpretations adopted:**

- (a) 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(i).

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 386 thousand.

ii. Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Company’s 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”.

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

The Company assesses that the adoption of the (following) new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its financial statements:

(Continued)

**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”.
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”.

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

The Company’s adoption of the new amendments, effective for annual period beginning on January 1, 2021, are expected to have the following impacts:

New, Revised or Amended Standards and Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract”	<p>The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows:</p> <ul style="list-style-type: none"> <li>• the incremental costs – e.g. direct labor and materials; and</li> <li>• 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.</li> </ul>	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 following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”.
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”.
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” .
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”.
- Annual Improvements to IFRS Standards 2018–2020.
- Amendments to IFRS 3 “Reference to the Conceptual Framework”.

**(4) Summary of significant accounting policies:**

The accompanying 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 financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized as follows. The

(Continued)

**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

accounting policies have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

**(a) Statement of compliance**

These 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 and issued into effect by the FSC (hereinafter referred to as "IFRS endorsed by the FSC").

**(b) Basis of preparation**

**(1) Basis of measurement**

The financial statements have been prepared on a historical cost basis except for the following material items in the balance sheet:

- (i) Financial instruments at fair value through profit or loss are measured at fair value (including derivative financial instruments);
- (ii) The defined benefit liabilities are measured as the present value of the defined benefit obligation, less pension fund assets at fair value.

**(2) Functional and presentation currency**

The financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

**(c) Foreign currencies**

Transactions in foreign currencies are translated into the functional currencies 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 those differences relating to the following, which are recognized in other comprehensive income:

- (1) an investment in equity securities designated as at fair value through other comprehensive income;
- (2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (3) qualifying cash flow hedges to the extent that the hedges are effective.

(Continued)

**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

**(d) Classification of current and non-current assets and liabilities**

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

- (1) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (2) It is held primarily for the purpose of trading;
- (3) It is expected to be realized within twelve months after the reporting period; or
- (4) 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.

- (1) It is expected to be settled in the normal operating cycle;
- (2) It is held primarily for the purpose of trading;
- (3) It is due to be settled within twelve months after the reporting period; or
- (4) 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 issuing 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 that 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.

**(f) Financial instruments**

Trade receivables and debt securities issued 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 a trade 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. A trade receivable without a significant financing component is initially measured at the transaction price.

**(1) 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 and 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.

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

(i) 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 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.

(ii) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. 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.

(iii) 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 lifetime of the financial assets to the lifetime 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;
- 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

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

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.

(iv) 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).

(v) Impairment of financial assets

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

The Company measures 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 credit risk (i.e. the risk of default occurring over the expected lifetime of the financial instrument) has not increased significantly since initial recognitions.

Loss allowance for trade receivables 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 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

than 180 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Company considers a time deposit to have low credit risk when only deal with financial institutions with good credit rating.

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

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

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

ECL 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).

At each reporting date, the Company assesses whether financial assets measured 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 assets 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 180 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.

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. 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.

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

(vi) 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 Company 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.

(2) Financial liabilities and equity

(i) Classification of debt or equity instruments

Debt and 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.

(ii) 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.

(iii) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(iv) 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.

(v) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation 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

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(vi) 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.

(3) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) **Inventories**

Inventories are measured at the lower of cost and net realizable value. The costs of inventories include expenditure incurred in acquiring the inventories, conversion costs, and other costs (weighted-average method) 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.

(h) **Property, plant and equipment**

(1) 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.

(2) Subsequent expenditure

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

(3) 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 of property, plant and equipment for current and comparative periods

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

are as follows:

- (i) Buildings and improvements: 34 to 36 years
- (ii) Machinery equipment: 4 to 7 years
- (iii) Transportation equipment: 6 years
- (iv) Electrical equipment: 15 to 16 years
- (v) Office and other equipment: 1 to 11 years

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

**(i) Lease**

**(1) 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:

- 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
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset throughout the period of use only if either:
  - (i) the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - (2) 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.

**(2) As a lease**

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

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

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.

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 payable 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 payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is 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.

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 any gain or loss relating to the partial or full termination of the lease.

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.

If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of staff dormitory, business premises, office and other equipment that have a lease term of 12 months or less and leases of low-value assets. 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

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

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.

**(j) Intangible assets**

Except for goodwill, intangible assets acquired by the Company, are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred. The amortizable amount is the cost of an asset less its residual value.

The Company's intangible assets is computer software cost. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of 4 to 5 years of intangible assets from the date that they are available for use.

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

**(k) Impairment of non-derivative financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets ) 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. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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. They are allocated first to reduce the carrying

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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.

**(1) Revenue**

**(1) 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 revenue from the sale of goods are as follows:

**(i) Sale of goods**

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.

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.

**(ii) Financing components**

The Company does not expect to have any contracts where the period between the transfer of the promised goods 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.

**(2) Contract costs**

**(i) 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

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

otherwise would have recognized is one year or less.

(ii) **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:

- (a) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- (b) 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
- (c) the costs are expected to be recovered.

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.

(m) **Government grants**

The Company recognizes an unconditional government grant related to employee benefits in profit or loss as other income when the grant becomes receivable. Grants that compensate the Company for expense or losses incurred and recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(n) **Employee benefits**

(1) **Defined contribution plans**

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

(2) **Defined benefit plans**

The Company's net obligation in respect of defined benefit plans is calculated 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 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

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

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.

**(3) 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.

**(o) Share-based payment**

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes was confirmed.

Grant date of a share-based payment award is the date which the number of shares purchased by the employees was confirmed.

**(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 shall be 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 are 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:

- (1) 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;
- (2) 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

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

differences and it is probable that they will not reverse in the foreseeable future; and  
 (3) 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:

- (1) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (2) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entity; or
  - (ii) 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.

**(q) Earnings per share**

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is 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 dilutive potential ordinary shares, such as accrued employee compensation not yet resolved by the shareholders and restricted stock.

**(r) Operating segments**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. Operating results of the operating segment are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

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**Notes to the Financial Statements (Continued)**

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

The preparation of the 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 amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is the decision of the lease term:

The Company determines the lease term as the non-cancellable period of the lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably not to exercise that option. In assessing whether a lessee is reasonably to exercise the options, the Company considers all relevant facts and circumstances that create an economic incentive for the lessee. The Company reassesses whether it is reasonably certain to exercise an extension option or not to exercise the option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. If there is a change in the lease term, the Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Please refer to notes 6(e)(h).

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 following financial year is valuation of inventories. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

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. Refer to note 6 (c) for further description of the valuation of inventories.

**(6) Explanation of significant accounts:**

**(a) Cash and cash equivalents**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand	\$ 384	660
Demand and checking deposits	473,545	401,220
Time deposits	796,180	845,700
Repurchase agreements collateralized by commercial paper	276,571	93,068
Cash and cash equivalents in the statement of cash flows	<b><u>1,546,680</u></b>	<b><u>1,340,648</u></b>

Please refer to Note 6(q) for the analysis of exchange rate risk and sensitivity of the financial assets and liabilities.

(Continued)

**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

(b) **Notes and trade receivables**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Trade receivables—measured as amortized cost	\$ 631,958	431,069
Less: Loss allowance	<u>(1,513)</u>	<u>(1,407)</u>
	<u><u>\$ 630,445</u></u>	<u><u>429,662</u></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 notes and trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due as well as incorporated forward looking information. The loss allowance provision were determined as follows:

<u>December 31, 2020</u>			
	<u>Gross carry amount of notes and trade receivables</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 509,893	0.22%	1,117
1 to 90 days past due	120,201	0.28%	335
91 to 180 days past due	1,803	0%	-
More than 181 days past due	<u>61</u>	100%	<u>61</u>
<b>Total</b>	<u><u>\$ 631,958</u></u>		<u><u>1,513</u></u>

<u>December 31, 2019</u>			
	<u>Gross carry amount of notes and trade receivables</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 298,172	0.11%	327
1 to 90 days past due	131,418	0.82%	1,080
91 to 180 days past due	1,479	0%	-
More than 181 days past due	<u>-</u>	100%	<u>-</u>
<b>Total</b>	<u><u>\$ 431,069</u></u>		<u><u>1,407</u></u>

The movements in the allowance for notes and trade receivables were as follows:

	<u>2020</u>	<u>2018</u>
Balance at beginning of the year	\$ 1,407	1,407
Impairment losses recognized	<u>106</u>	<u>-</u>
Balance at end of the year	<u><u>\$ 1,513</u></u>	<u><u>1,407</u></u>

(Continued)

**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

The aforementioned notes and trade receivables were not pledged as collateral or restricted in any way.

**(c) Inventories**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Raw materials and supplies	\$ 140,921	110,324
Work in progress	30,755	19,897
Finished goods	36,360	62,306
	<b>\$ 208,036</b>	<b>192,527</b>

The details of the cost of sales are as follows:

	<b>2020</b>	<b>2019</b>
Inventories that have been sold	\$ 1,090,867	1,065,590
Provision for inventories obsolescence(Reversal of write-downs)	(20,983)	23,150
Write-off for inventories scrapped	82,097	23,223
Revenue from sale of scraps	(7,370)	(3,000)
	<b>\$ 1,144,611</b>	<b>1,108,963</b>

The inventories were not pledged as collateral or restricted in any way.

**(d) Property, plant and equipment**

The movement of cost, accumulated depreciation, and impairment loss on property, plant and equipment were as follows:

	<b>Buildings and improvements</b>	<b>Machinery equipment</b>	<b>Transportation equipment</b>	<b>Electrical equipment</b>	<b>Office and other equipment</b>	<b>Construction in process and testing equipment</b>	<b>Total</b>
<b>Cost or deemed cost:</b>							
Balance at January 1, 2020	\$ 895,682	1,081,257	3,859	15,350	1,400,015	759,238	4,155,401
Additions	-	956	-	-	330	337,883	339,169
Reclassification	22,190	167,436	-	20,024	846,359	(1,035,702)	20,307 (Note1)
Balance at December 31, 2020	<b>\$ 917,872</b>	<b>1,249,649</b>	<b>3,859</b>	<b>35,374</b>	<b>2,246,704</b>	<b>61,419</b>	<b>4,514,877</b>
Balance at January 1, 2019	\$ 171,300	1,074,704	3,859	15,350	1,181,408	425,167	2,871,788
Additions	-	-	-	-	1,889	1,264,690	1,266,579
Disposals	-	-	-	-	8,604	-	8,604
Reclassification	724,382	6,553	-	-	225,322	(930,619)	25,638 (Note2)
Balance at December 31, 2019	<b>\$ 895,682</b>	<b>1,081,257</b>	<b>3,859</b>	<b>15,350</b>	<b>1,400,015</b>	<b>759,238</b>	<b>4,155,401</b>

(Continued)

**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

	<b>Buildings and improvements</b>	<b>Machinery equipment</b>	<b>Transportation equipment</b>	<b>Electrical equipment</b>	<b>Office and other equipment</b>	<b>Construction in process and testing equipment</b>	<b>Total</b>
<b>Accumulated depreciation and impairment loss:</b>							
Balance at January 1, 2020	\$ 31,630	765,635	3,245	6,368	874,281	-	1,681,159
Depreciation	25,001	179,466	488	1,298	240,586	-	446,839
Balance at December 31, 2020	<u>\$ 56,631</u>	<u>945,101</u>	<u>3,733</u>	<u>7,666</u>	<u>1,114,867</u>	<u>-</u>	<u>2,127,998</u>
Balance at January 1, 2019	\$ 23,450	592,196	2,602	5,487	687,373	-	1,311,108
Depreciation	8,180	173,439	643	881	195,512	-	378,655
Disposals	-	-	-	-	8,604	-	8,604
Balance at December 31, 2019	<u>\$ 31,630</u>	<u>765,635</u>	<u>3,245</u>	<u>6,368</u>	<u>874,281</u>	<u>-</u>	<u>1,681,159</u>
<b>Carrying amounts:</b>							
Balance at December 31, 2020	<u>\$ 861,241</u>	<u>304,548</u>	<u>126</u>	<u>27,708</u>	<u>1,131,837</u>	<u>61,419</u>	<u>2,386,879</u>
Balance at December 31, 2019	<u>\$ 864,052</u>	<u>315,622</u>	<u>614</u>	<u>8,982</u>	<u>525,734</u>	<u>759,238</u>	<u>2,474,242</u>
Balance at January 1, 2019	<u>\$ 147,850</u>	<u>482,508</u>	<u>1,257</u>	<u>9,863</u>	<u>494,035</u>	<u>425,167</u>	<u>1,560,680</u>

Note 1 : Other non-current assets — prepayment for equipment and inventories have been reclassified to testing equipment and other equipment with \$3,860 and \$16,447, respectively.

Note 2 : Other non-current assets — prepayment for equipment have been reclassified to testing equipment with \$25,638.

Property, plant and equipment were not pledged as collateral or restricted in any way.

**(e) Right-of-use assets**

The Company leases land and transportation equipment. Information about leases for which the Company as a lessee was presented below:

	<b>Land</b>	<b>Transportation equipment</b>	<b>Total</b>
<b>Cost :</b>			
Balance at January 1, 2020	\$ 325,474	2,106	327,580
Variable lease payments	13,904	-	13,904
Balance at December 31, 2020	<u>\$ 339,378</u>	<u>2,106</u>	<u>341,484</u>
Balance at January 1, 2019	\$ -	-	-
Effects of adopting IFRS 16	325,474	2,106	327,580
Balance at December 31, 2019	<u>\$ 325,474</u>	<u>2,106</u>	<u>327,580</u>
<b>Accumulated depreciation and impairment loss:</b>			
Balance at January 1, 2020	\$ 8,743	790	9,533
Depreciation	9,127	790	9,917
Balance at December 31, 2020	<u>\$ 17,870</u>	<u>1,580</u>	<u>19,450</u>

(Continued)



**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

	<u>Land</u>	<u>Transportation equipment</u>	<u>Total</u>
Balance at January 1, 2019	\$ -	-	-
Depreciation	8,743	790	9,533
Balance at December 31, 2019	<u>\$ 8,743</u>	<u>790</u>	<u>9,533</u>
<b>Carrying amounts:</b>			
Balance at December 31, 2020	<u>\$ 321,508</u>	<u>526</u>	<u>322,034</u>
Balance at December 31, 2019	<u>\$ 316,731</u>	<u>1,316</u>	<u>318,047</u>

(f) **Intangible assets**

The movement of cost and accumulated amortization for intangible assets were as follows:

	<u>Computer software</u>
<b>Cost:</b>	
Balance at January 1, 2020	\$ 20,306
Additions	3,727
Reclassification	1,170 (Note 1)
Balance at December 31, 2020	<u>\$ 25,203</u>
Balance at January 1, 2019	\$ 16,936
Additions	2,170
Reclassification	1,200 (Note 2)
Balance at December 31, 2019	<u>\$ 20,306</u>
<b>Accumulated amortization:</b>	
Balance at January 1, 2020	\$ 9,068
Amortization	5,295
Balance at December 31, 2020	<u>\$ 14,363</u>
Balance at January 1, 2019	\$ 4,739
Amortization	4,329
Balance at December 31, 2019	<u>\$ 9,068</u>
<b>Carrying amounts:</b>	
Balance at December 31, 2020	<u>\$ 10,840</u>
Balance at December 31, 2019	<u>\$ 11,238</u>
Balance at January 1, 2019	<u>\$ 12,197</u>

Note 1: Other non-current assets — prepayment for computer software have been reclassified to intangible asset — computer software with \$1,170.

Note 2: Other non-current assets — prepayment for computer software have been reclassified to intangible asset — computer software with \$1,200.

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

(g) **Other non-current assets**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Prepayment for equipment	\$ 31,188	3,860
Prepayment for computer software	-	1,170
Others	2,073	2,284
<b>Total</b>	<b>\$ 33,261</b>	<b>7,314</b>

The amount under “others” is the line subsidy expense and the instalment of technology authorization.

(h) **Lease liabilities**

The carrying amounts of lease liabilities were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current	\$ 7,799	7,667
Non-current financial liabilities	317,789	312,348
	<b>\$ 325,588</b>	<b>320,015</b>

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

The amounts recognized in profit or loss were as follows:

	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	\$ 4,065	4,359
Expenses relating to short-term leases	\$ 1,466	2,124
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 135	122
COVID-19-related rent concessions	\$ 386	-

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

	<b>2020</b>	<b>2019</b>
Total cash outflow for leases	\$ 13,611	14,170

1. Land leases

The Company leases land for its factory building and office space, which lease terms of twenty years. The leases provide for additional rent payments that are based on changes in government published land value.

The Company judges that the leases includes an option to extend the lease for an additional period of the sam duration after the end of the contract term.

2. Other leases

The Company leases transportation equipment, with lease terms of three years.

The Company also leases staff dormitory, business premises, office and other equipment with

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

contract terms of one to five years. These leases are short-term or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(i) **Employee benefits**

1. Defined benefit plan

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Present value of defined benefit obligation	\$ 13,898	11,169
Fair value of plan assets	(8,381)	(7,746)
Net defined benefit liability	<u><u>\$ 5,517</u></u>	<u><u>3,423</u></u>

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

(1) Composition of plan assets

The Company contributes 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 Labor Funds under the Ministry of Labor. Minimum earnings shall not be lower than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's labor pension reserve account balance in Bank of Taiwan amounted to \$8,275 and \$7,646 as of December 31, 2020 and 2019, respectively. 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.

(2) Movements in present value of the defined benefit obligation were as follows:

	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 11,169	10,518
Current service costs and interest	123	137
Remeasurement of the net defined benefit liability	2,606	514
Balance at December 31	<u><u>\$ 13,898</u></u>	<u><u>11,169</u></u>

(3) Movements in fair value of plan assets were as follows:

	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 7,746	7,089
Interest income	87	94
Remeasurement of the net defined benefit asset	232	249
Employer contribution	316	314
Balance at December 31	<u><u>\$ 8,381</u></u>	<u><u>7,746</u></u>

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

- (4) Expenses recognized in profit or loss were as follows:

	<b>2020</b>	<b>2019</b>
Interest cost	\$ 123	137
Interest income on plan asset	(87)	(94)
	<u>\$ 36</u>	<u>43</u>
Cost of sales	\$ 29	35
Selling expenses	1	2
General and administrative expenses	3	3
Research and development expenses	3	3
	<u>\$ 36</u>	<u>43</u>

- (5) Remeasurement of the net defined benefit liability recognized in other comprehensive income were as follows:

	<b>2020</b>	<b>2019</b>
Cumulative balance as of January 1	\$ (2,119)	(1,854)
Recognized during the period	(2,374)	(265)
Cumulative balance as of December 31	<u>\$ (4,493)</u>	<u>(2,119)</u>

- (6) Actuarial assumptions

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Discount rate	0.85 %	1.10 %
Future salary increase	2.00 %	1.50 %

The expected amount of contributions for the year after the reporting date is \$316. The weighted-average duration of the defined benefit obligation is 16.8 years.

- (7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<b>Influences of defined benefit obligations</b>	
	<b>Increase (%)</b>	<b>Decrease (%)</b>
December 31, 2020:		
Discount rate (change of 0.25%)	(3.08)%	3.24 %
Change in future salary (change of 1%)	13.58 %	(11.47)%
December 31, 2019:		
Discount rate (change of 0.25%)	(3.00)%	3.14 %
Change in future salary (change of 1%)	13.44 %	(11.31)%

The sensitivity analysis above analyzing the effects of changes in single assumptions is based on other assumptions remaining unchanged. In actuality, changes in some assumptions may be linked together. The sensitivity analysis and calculation of the net pension liability on the balance sheet were performed using the same approach.

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

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

**2. Defined contribution plan**

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

The contributions made to employees' individual accounts amounted to \$12,306 and \$11,960 for the years ended December 31, 2020 and 2019, respectively.

**3. Short-term benefit obligation**

	<u><b>December 31, 2020</b></u>	<u><b>December 31, 2019</b></u>
Accrued for vacation, recorded as other payables	\$ <u><u>1,554</u></u>	<u><u>5,434</u></u>

**(j) Income taxes**

**1. The amounts of income tax expense were as follows:**

	<u><b>2020</b></u>	<u><b>2019</b></u>
Current tax expense		
Current period	\$ 116,876	94,389
Adjustment for prior years	199	28
Deferred tax benefit		
Origination and reversal of temporary differences	<u>5,824</u>	<u>(5,946)</u>
Income tax expense	<u><u>\$ 122,899</u></u>	<u><u>88,471</u></u>

The amounts of income tax benefit recognized in other comprehensive income were as follows:

	<u><b>2020</b></u>	<u><b>2019</b></u>
Remeasurement of defined benefit plan	\$ <u><u>474</u></u>	<u><u>53</u></u>

Reconciliation of income tax expense and income before income tax were as follows:

	<u><b>2020</b></u>	<u><b>2019</b></u>
Income before income tax	\$ <u>713,635</u>	<u>538,621</u>
Income tax calculated based on the Company's tax rate	142,727	107,724
Tax incentives and tax-exempt government grants	(20,421)	(19,287)
Adjustment for prior periods	199	28
Others	<u>394</u>	<u>6</u>
	<u><u>\$ 122,899</u></u>	<u><u>88,471</u></u>

(Continued)

**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

2. Deferred tax assets

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

	<u>Defined benefit plan</u>	<u>Inventory valuation loss</u>	<u>Others</u>	<u>Total</u>
<b>Deferred tax assets:</b>				
Balance at January 1, 2020	\$ 685	19,334	2,843	22,862
Recognized in profit or loss	(56)	(4,197)	(1,571)	(5,824)
Recognized in other comprehensive income	474	-	-	474
Balance at December 31, 2020	<u>\$ 1,103</u>	<u>15,137</u>	<u>1,272</u>	<u>17,512</u>
Balance at January 1, 2019	686	14,704	1,473	16,863
Recognized in profit or loss	(54)	4,630	1,370	5,946
Recognized in other comprehensive income	53	-	-	53
Balance at December 31, 2019	<u>\$ 685</u>	<u>19,334</u>	<u>2,843</u>	<u>22,862</u>

3. Examination and Approval

The Company's tax returns for the years through 2018 were examined and approved by the tax authority.

(k) **Share capital and other equity**

As of December 31, 2020 and 2019, the authorized common stock of the Company were 1,500,000 , comprising 150,000 thousand shares with a par value of \$10 per share. The issued shares were \$91,373 thousand shares and \$90,951 thousand shares, respectively. All the capitals were fully received.

Reconciliations of shares outstanding for 2020 and 2019 were as follows (in thousand shares):

	<u>Ordinary shares</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	90,951	90,980
Restricted stock issuance	442	-
Restricted stock retired	(20)	(29)
Balance at December 31	<u>91,373</u>	<u>90,951</u>

(1) Common stock

On May 20, 2020, the Company's stockholders' meeting approved the issuance of 450 thousand restricted shares of stocks to employees. The actual number of issued shares was 442 thousand, which resulted in a capital surplus – restricted stock of \$103,128. The Company's board of the directors resolved the basis date of the increase in capital to be August 25, 2020, and the registration procedures have been completed.

(2) Retirement of common stock

On July 29 and February 5, 2020, May 21 and January 30, 2019, the Company's board of directors approved a resolution to retire 1 thousand shares, 19 thousand shares, 17 thousand shares and 12 thousand shares of restricted stock, respectively, which are non-vested. The basis date of the decrease in capital were August 27 and February 12, 2020, May 27 and February 15, 2019,

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

respectively, and the registration procedures have been completed.

**(3) Capital surplus**

The balance of capital surplus at the reporting date were as follows:

	<u><b>December 31, 2020</b></u>	<u><b>December 31, 2019</b></u>
Additional paid-in capital	\$ 1,741,705	1,655,366
Restricted stock	103,128	88,193
Total	<u><b>\$ 1,844,833</b></u>	<u><b>1,743,559</b></u>

In accordance with the Company Act, realized capital surplus can only be reclassified as share capital or be distributed as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be reclassified as share capital shall not exceed 10 percent of the actual share capital amount.

**(4) Retained earnings**

According to the Company's articles of incorporation, 10% of annual earnings must be set aside as legal reserve after offsetting any accumulated deficit. When the balance of such legal reserve reaches an amount equal to the paid-in capital, the appropriation to legal reserve is discontinued. The Company may, under its articles of incorporation or by resolution of the meeting of shareholders, set aside another sum as special reserve. Distribution of the remainder is at the stockholders' discretion.

**(i) 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.

**(ii) Earning distribution**

The appropriations of earnings for 2019 and 2018 were approved by the shareholders' meetings on May 21, 2020, and May 22, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

		Unit per share: dollar			
		2019	2018		
		<u>TWD/per share</u>	<u>Amount</u>	<u>TWD/per share</u>	<u>Amount</u>
Dividend distributed to common shareholders:					
Cash dividends	\$	4.0	<u>363,731</u>	5.0	<u>454,841</u>

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

On February 3, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. These earnings were appropriated as follows:

		<b>2020</b>
		<u><b>TWD/per share</b></u> <u><b>Amount</b></u>
Dividend distributed to common shareholders:		
Cash dividends	\$	5.0 <u><u><b>456,846</b></u></u>

There were no differences between the actual amounts of appropriation of earning for 2019 and 2018 and those approved by the board of directors. The related information can be accessed through the Market Observation Post System.

**(l) Share-based payment**

On May 22, 2020, the board of shareholders' meeting approved the issuance of 450 thousand restricted shares of stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with, and approved by, the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On July 29, 2020, the board of directors issued 442 thousand restricted shares. The fair value on the grant date was \$231.80(NT\$) per share was the stockclosing price deduct the exercise price.

Those employees with the restricted stock awards are entitled to purchase shares at the price of \$44.70(NT\$) per share, with the condition that the company and these employees both achieve theperformance targets and these employees continue to provide service to the company for at least 1year or 2 years (from the grant date). 50% of the restricted stock is vested in year 1 after the grantdate, and the remaining 50% is vested in year 2 after the grant date. The restricted stock is kept by atrust, which is appointed by the Company, before it is vested. These shares shall not be sold, pledged,transferred, gifted, or disposed of by any other means to third parties during the custody period. Thevoting rights of these shareholders are executed by a custodian who will act in accordance with thelaws and regulations. If the shares remain unvested after the vesting period, the Company willrepurchase all the unvested shares at the issuance price and cancel the shares thereafter.

On May 20, 2018, the board of shareholders' meeting approved the issuance of 430 thousand restricted shares of stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with, and approved by, the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On July 30, 2018, the board of directors issued 408 thousand restricted shares. The fair value on the grant date of \$209.42(NT\$) per share was the stock closing price deduct the exercise price.

Those employees with the restricted stock awards are entitled to purchase shares at the price of \$41.08(NT\$) per share, with the condition that these employees achieve performance and these employees continue to provide service to the company for at least 1 year or 2 years (from the grant date). 50% of the restricted stock is vested in year 1 after the grant date, and the remaining 50% is vested in year 2 after the grant date. The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or disposed of by any other means to third parties during the custody period. The voting rights of these shareholders are executed by a custodian who will act in accordance with the laws and regulations. If

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

the shares remain unvested after the vesting period, the Company will repurchase all the unvested shares at the issuance price and cancel the shares thereafter.

Details of number of restricted shares of the Company are as follows:

	Unit of share: thousand	
	<u>2020</u>	<u>2019</u>
Outstanding at January 1	189	396
Granted during the year	442	-
Vested during the year	(176)	(183)
Retired during the year	(13)	(17)
Repurchased, not retired during the year	(4)	(7)
Outstanding at December 31	<u>438</u>	<u>189</u>

For the years ended December 31, 2020 and 2019, the compensation cost of restricted stock amounted to \$40,476 and \$38,450, respectively, which were recognized as operating cost or operating expenses.

(m) **Earnings per share**

The basic and diluted earnings per share (expressed in New Taiwan dollars) were calculated as follows:

	Unit of shares: thousand	
	<u>2020</u>	<u>2019</u>
<b>Basic earnings per share:</b>		
Profit attributable to ordinary shareholders of the Company	\$ <u>590,736</u>	<u>450,150</u>
Weighted-average number of common shares outstanding	<u>90,813</u>	<u>90,634</u>
	<u>\$ 6.50</u>	<u>4.97</u>
	<u>2020</u>	<u>2019</u>
<b>Diluted earnings per share:</b>		
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>590,736</u>	<u>450,150</u>
Weighted-average number of common shares outstanding	90,813	90,634
Effect of employee stock compensation	270	292
Effect of restricted stock	<u>116</u>	<u>167</u>
Weighted-average number of common shares outstanding (diluted)	<u>91,199</u>	<u>91,093</u>
	<u>\$ 6.48</u>	<u>4.94</u>

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

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

1. Disaggregation of revenue

	<b>2020</b>	<b>2019</b>
Primary geographical markets:		
Mainland China	\$ 1,348,587	813,800
United States	344,280	991,749
Taiwan	461,432	239,488
Others	<u>154,790</u>	<u>91,233</u>
	<b><u>\$ 2,309,089</u></b>	<b><u>2,136,270</u></b>
Major products:		
Wafer	\$ 2,287,832	2,119,455
Others	<u>21,257</u>	<u>16,815</u>
	<b><u>\$ 2,309,089</u></b>	<b><u>2,136,270</u></b>

2. Contract balances

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Trade receivables	\$ 631,958	431,069
Less: Loss allowance	<u>(1,513)</u>	<u>(1,407)</u>
	<b><u>\$ 630,445</u></b>	<b><u>429,662</u></b>
Contract liabilities	<b><u>\$ 10,378</u></b>	<b><u>10,734</u></b>

Please refer to note 6(b) for details on trade receivables and allowance for impairment.

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$9,687 and \$4,361, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(o) **Employee compensation and director's remuneration**

According to the articles of the incorporation, if the Company has profit as a result of the yearly account closing, the Company should distribute 1% to directors as compensation and no less than 8% as employee compensation. When the Company still has an accumulated loss, the Company shall keep the profit for making up an accumulated loss.

For the years ended December 31, 2020 and 2019, the remuneration to employees amounted to \$70,947 and \$47,962, respectively, and the remuneration of directors amounted to \$7,883 and \$5,995, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the appropriate percentage in compliance with the Company's articles. These expenses were recognized under operating costs and operating expenses during 2020 and 2019. The related information can be accessed through the Market Observation Post System. For the years ended December 31, 2020 and

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

2019, the remuneration to employees and directors have no differences between the estimated amounts and the amounts approved by the board of directors.

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

1. Interest income

	<b>2020</b>	<b>2019</b>
Bank deposits	\$ <u><u>7,580</u></u>	<u><u>12,244</u></u>

2. Other gains and losses

	<b>2020</b>	<b>2019</b>
Foreign exchange gains (losses), net	\$ (22,161)	(7,265)
Losses on valuation of financial assets and liabilities by fair value, net	510	(1,071)
Government grants revenue	21,918	-
Others	<u>1,702</u>	<u>5,066</u>
	<b>\$ <u><u>1,969</u></u></b>	<b><u><u>(3,270)</u></u></b>

3. Finance costs

	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	\$ <u><u>4,065</u></u>	<u><u>4,359</u></u>

**(q) Financial instruments**

1. Credit risk

(1) Credit risk exposure

The maximum exposure to credit risk is mainly from the carrying amount of financial assets.

(2) Concentration of credit risk

For the years end December 31, 2020 and 2019, a few customers of the Company accounted for 42.55% and 60.03%, respectively, of operating revenue, and they were 60.10% and 57.29%, respectively, of trade receivables as of December 31, 2020 and 2019. As of the end of the reporting period, the Company did not suffer any significant credit risk losses due to these customers. The Company periodically evaluates customers' financial position and the possibility of recovery of receivables in order to reduce credit risk.

(3) Credit risk exposure of receivables

For credit risk exposure on notes and trade receivables, and the details on loss allowance provision for the years ended December 31, 2020 and 2019, please refer to note 6(b).

Other financial assets at amortized cost include other receivables and pledged time deposits (classified as other financial assets). The Company did not recognize and reverse any loss allowance provision for the years ended December 31, 2020 and 2019.

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

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

how the financial instruments are considered to have low credit risk, please refer to note 4(f).

**2. Liquidity risk**

The following were the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
<b>December 31, 2020</b>							
Non-derivative financial liabilities							
Non-interest-bearing liabilities	\$ 383,193	383,193	383,193	-	-	-	-
Lease liabilities	<u>325,588</u>	<u>409,543</u>	<u>6,198</u>	<u>5,930</u>	<u>11,592</u>	<u>34,777</u>	<u>351,046</u>
	<u><b>\$ 708,781</b></u>	<u><b>792,736</b></u>	<u><b>389,391</b></u>	<u><b>5,930</b></u>	<u><b>11,592</b></u>	<u><b>34,777</b></u>	<u><b>351,046</b></u>
<b>December 31, 2019</b>							
Non-derivative financial liabilities							
Non-interest-bearing liabilities	\$ 423,912	423,912	423,912	-	-	-	-
Lease liabilities	<u>320,015</u>	<u>404,808</u>	<u>5,962</u>	<u>5,962</u>	<u>11,656</u>	<u>33,360</u>	<u>347,868</u>
	<u><b>\$ 743,927</b></u>	<u><b>828,720</b></u>	<u><b>429,874</b></u>	<u><b>5,962</b></u>	<u><b>11,656</b></u>	<u><b>33,360</b></u>	<u><b>347,868</b></u>

The Company does not expect that the cash flows could occur significantly earlier or at significantly different amounts.

**3. Market risk**

**(1) Exposure to foreign currency risk**

The Company's significant exposure to foreign currency risk were as follows:

Unit of foreign currency: thousand

	<b>December 31, 2020</b>			<b>December 31, 2019</b>		
	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 27,578	28.480	785,435	16,495	29.980	494,507
CNY	202	4.377	885	764	4.305	3,291
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	2,203	28.480	62,749	1,899	29.980	56,925
JPY	3,323	0.2763	918	3,778	0.2760	1,043

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

Exchange gains or losses (including realized and unrealized) that resulted from monetary items translated to the functional currency were as follows:

	<b>2020</b>		<b>2019</b>	
	<b>Exchange gains (losses)</b>	<b>Average rate</b>	<b>Exchange gains (losses)</b>	<b>Average rate</b>
USD	\$ (22,151)	-	(6,894)	-
CNY	23	-	(891)	-
Others	(33)	-	520	-
	<b>\$ (22,161)</b>	<b>-</b>	<b>(7,265)</b>	<b>-</b>

(2) Sensitivity analysis

The foreign currency risk was mainly incurred from the translation of cash and cash equivalents, trade receivables, trade payables, and other payables. If the exchange rate of the TWD versus the USD , CNY and JPY had increased or decreased by 3%, given no changes in other factors, profit after tax would have increased or decreased by \$17,344 and \$10,556 for the years ended December 31, 2020 and 2019, respectively. The analysis is performed on the same basis.

4. Fair value information

(1) Fair value and carrying amounts

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 :

		December 31, 2020			
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,546,680	-	-	-	-
Notes and trade receivables	630,445	-	-	-	-
Other financial assets— current and non-current	16,903	-	-	-	-
Total	<u>\$ 2,194,028</u>				
Financial liabilities measured at amortized cost					
Payables	\$ 383,193	-	-	-	-
Lease liabilities	325,588	-	-	-	-
	<u>\$ 708,781</u>	-	-	-	-

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

	December 31, 2019				
	Carrying	Fair Value			
	amount	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 1,340,648	-	-	-	-
Notes and trade receivables	429,662	-	-	-	-
Other financial assets— current and non-current	<u>15,215</u>	-	-	-	-
Total	<u><b>\$ 1,785,525</b></u>				
<b>Financial liabilities measured at amortized cost</b>					
Payables	\$ 423,912	-	-	-	-
Lease liabilities	<u>320,015</u>	-	-	-	-
Total	<u><b>\$ 743,927</b></u>				

The table above analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified 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).

There was no reclassification of levels during the years ended December 31, 2020 and 2019.

**2. Valuation techniques for financial instruments measured at fair value**

Measurement of the fair value of derivative financial instruments is based on the valuation techniques widely accepted by market participants such as the discounted cash flow model. The fair value of forward currency contracts is usually determined the forward currency exchange rate.

**(r) Financial risk management**

(1) The Company was exposed to the following risks arising from the use of financial instruments:

1. Credit risk
2. Liquidity risk
3. Market risk

The Company's risk management objectives, policies and procedures and the exposure risk arising from the aforementioned risks are disclosed below. For more quantitative information, please refer to other notes to the financial statements.

**(2) Risk management framework**

Risk management is performed by the department of management of the Company in accordance with policies approved by the board of directors. The department of management cooperates closely with the operating units and is responsible for the identification, evaluation and avoidance

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

of financial risk. The board of directors has written regulations about overall risk management, and regularly reviews them to reflect any changes in market conditions and the Company's operations. The Company, through its training management standards, and operating procedures, aims to create a disciplined and constructive control environment.

The Company minimizes its risk exposure through derivative financial instruments. The use of derivative financial instruments is regulated by the policy which was resolved by the board of directors. The written regulations concern currency risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments, and the investment of the rest of the funds. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

**(3) Credit risk**

Credit risk is the risk of financial loss of the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables and bank deposits.

**1. Trade receivables**

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases, bank references. The Company rates major clients by other publicly available information and past transaction experience. Credit limits are established for each customer, and these limits are reviewed regularly. First-time customers, customers that have not traded for a long period, and customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company evaluates the aging of trade receivables periodically, and accrues an allowance for doubtful accounts, if necessary. The allowance consists of a specific loss component that relates to individually significant risk exposures and a collective loss incurred but not yet identified. The collective loss allowance is determined based on historical payment statistics and forward looking information.

**2. Bank deposits**

The Company's transactions resulted from external parties with good credit ratings; there are no noncompliance issues. The Company also has relationships with multiple financial institutions to diversify risk.

**(4) Liquidity risk**

The Company had sufficient working funds to meet the cash needs for settlement of contracts. Therefore, no material liquidity risk was anticipated.

**(5) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, 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.

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company, the New Taiwan dollar. The currencies used in these transactions are the USD, CNY and JPY.

At any point in time, the Company hedges its estimated foreign currency exposure with respect to its forecast sales and purchases over the following period. The Company also hedges all trade receivables and trade payables denominated in a foreign currency. The Company uses forward exchange contracts to hedge its currency risk, with a maturity of less than one year from the reporting date.

The Company engages in transactions in derivative instruments to manage market risk, since they give rise to financial liabilities. All transactions are conducted following the board of directors' approval policy.

**(s) Capital management**

The Company's goal of capital management is to maintain adequate capital to meet the need for expansion and productivity improvement and to ensure the Company has sufficient financial resources to cope with future needs for operating funds, capital expenditures, research and development expenditures, dividend expenses, and other operating requirements. Capital includes the Company's capital stock, capital surplus, and retained earnings.

The Company's debt-to-equity ratios were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 842,387	764,029
Less: cash and cash equivalents	<u>(1,546,680)</u>	<u>(1,340,648)</u>
Net debt	<u>\$ (704,293)</u>	<u>(576,619)</u>
Total equity	<u>\$ 4,349,102</u>	<u>4,066,471</u>
Debt-to-equity ratio	<u>(16.19)%</u>	<u>(14.18)%</u>

As of December 31, 2020, the Company's capital management strategy was consistent with the prior year. The change in the debt-to-capital ratio is mainly due to increase in cash inflow from operating activities and decrease in capital expenditures.

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

The Company acquired right-of-use assets by leases in the year ended December 31, 2020 and 2019, please refer to note 6(h).

Reconciliation of liabilities arising from financing activities were as follows:

	<u>December 31, 2019</u>
	<u>Lease liabilities</u>
January 1, 2020	\$ 320,015
Cash flows	
Payment of lease liabilities	(8,331)
Non-cash changes	
Variable lease payments	<u>13,904</u>
December 31, 2020	<u>\$ 325,588</u>

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**Notes to the Financial Statements (Continued)**

	<b>December 31, 2019</b>
January 1, 2019	\$ -
Cash flows	
Payment of lease liabilities	(7,565)
Non-cash changes	
Effects of adopting IFRS 16	327,580
December 31, 2019	<u><u>\$ 320,015</u></u>

**(7) Related-party transactions:**

Key management personnel compensation comprised:

	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 37,790	32,938
Post-employment benefits	436	419
Share-based payments	9,184	6,701
	<u><u>\$ 47,410</u></u>	<u><u>40,058</u></u>

Please refer to note 6(l) for details about the Share-based payment.

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other financial assets—current and non-current (restricted bank deposits)	Post-release duty payment of import cargo, Southern Taiwan Science Park's lease and notional forward exchange deposits	<u><u>\$ 16,320</u></u>	<u><u>14,556</u></u>

**(9) Significant commitments and contingencies:**

The Company signed contracts with domestic and foreign vendors for purchasing property, plant and equipment. As of December 31, 2020 and 2019, the contracts amounted to \$128,986 and \$881,757, respectively, and the unpaid payment were \$38,444 and \$136,524, respectively.

**(10) Losses Due to Major Disasters: None.**

**(11) Significant Subsequent Events: None**

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

**(12) Other:**

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function By item	2020			2019		
	Classified as cost of sales	Classified as operating expenses	Total	Classified as cost of sales	Classified as operating expenses	Total
Employee benefits						
Salary	244,221	121,795	366,016	225,114	112,426	337,540
Labor and health insurance	17,384	6,724	24,108	17,258	7,459	24,717
Pension	9,625	2,717	12,342	9,217	2,786	12,003
Remuneration of directors	-	9,618	9,618	-	9,110	9,110
Others	8,579	5,899	14,478	8,096	4,113	12,209
Depreciation	402,953	53,803	456,756	341,225	46,963	388,188
Amortization	211	5,295	5,506	950	4,329	5,279

The additional information about the number of employees and employee benefits for the years ended December 31, 2020 and 2019, were as follows:

	2020	2019
Number of employees	<u>328</u>	<u>327</u>
Non-employee directors	<u>4</u>	<u>5</u>
Average of employee benefits	<u>\$ 1,287</u>	<u>1,200</u>
Average of employee salary	<u>\$ 1,130</u>	<u>1,048</u>
Adjustment of average employee salary	<u>7.82%</u>	
Supervisor's remuneration	<u>0</u>	<u>0</u>

The company's salary and remuneration policy (including directors, supervisors, managers and employees) are as follows:

- (1) The remuneration of directors includes the compensation, transportation allowance, expenses; and reward for business affairs and business affairs. Based on the regulations in Articles of Association when 1 percent of the net profit is allocated for remuneration of directors, the amount distributed to each director would be determined by the directors' participation and contribution for the operational affairs.
- (2) The remuneration of general manager, deputy general manager, and other managers include the compensation, bonuses, employee salary, restricted stock awards or restricted stocks. It is measures based on the employee's position, responsibilities, and contribution made to the company with reference to the policies of other companies in the same industry. The manager's responsibility in the position and the contribution to the company's operation goal will also be taken in to consideration. The general manager will receive remuneration according to the duty of the person in the position as well as the contribution to the company's goal. The company offer reasonable remuneration based on the overall operational performance, the potential risk and developing trend in the industry, the individual performance, and the person's contribution to the company. The performance evaluation outcome would be reviewed by the remuneration committee and the Board of directors, and the remuneration system would be constantly reviewed or amended in accordance with the business condition and relevant laws. Hopefully,

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

the company can achieve sustainable management and risk control at the same time.

**(13) Other disclosures:**

The following is the information on significant transactions required by the “Regulations” for the Company:

(a) Information on significant transactions

The following is the information on significant transactions required by the “IFRS” for the Company:

1. Loans to other parties:None.
2. Guarantees and endorsements for other parties:None.
3. Information regarding securities held at reporting date (excluding investments in subsidiaries, associates, and joint ventures):None.
4. Information regarding purchase or sale of securities for the period exceeding NT\$300 million or 20% of the company's paid-in capital:None.
5. Information on the acquisition of real estate with purchase amount exceeding NT\$300 million or 20% of the company's paid-in capital:

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	The electromechanical clean room	2018.12.13	\$ 367,000	Based on the construction progress.	MARKETECH INTERNATIONAL CORP.	Third party	-	-	-	-	Market price.	Demand of capacity	None

6. Information regarding receivables from disposal of real estate exceeding NT\$300 million or 20% of the company's paid-in capital:None.
7. Information regarding related-party purchase and sale exceeding NT\$100 million or 20% of the company's paid-in capital:None.
8. Information regarding receivables from related parties exceeding NT\$100 million or 20% of the company's paid-in capital:None.
9. Information regarding trading in derivative financial instruments:  

The Company holds derivative financial instruments to hedge the certain foreign exchange risk the Company is exposed to, arising from its operating activities. As of December 31, 2020, the derivative instruments, without the application of hedge accounting, were settled. For the net gain or loss on fair value of financial instruments at FVTPL, please refer to note 6(p).
10. Business relationships and significant intercompany transactions:None.

(b) Information on investees: None.

(c) Information on investment in Mainland China:None.

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

(d) Major shareholders:

<u>Customer</u>	<u>Shares</u>	<u>Percentage</u>
Huasheng International Investment Co., Ltd.	7,299,640	7.98 %
Nan Shan Life Insurance Co., Ltd.	5,272,000	5.76 %
Cathay Life Insurance Co., Ltd.	5,184,774	5.67 %
Hermes Investment Company Emerging Markets Equity Fund entrusted to Taiwan Bank	5,133,200	5.61 %

Note1 : The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

Note2 : If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

**(14) Segment information:**

(a) General information

The Company has one reportable segment and is mainly engaged in single-product manufacturing and selling of wafers. Financial segment information is consistent with the above financial information for the Company as a whole. The accounting policies of the operating segment are the same as those described in Note 4. The operating segment's income was measured using profit before tax, which was also used as the basis for performance evaluation.

(b) Information on reportable segment profit or loss, assets, liabilities, and basis of measurement and reconciliation

The information on segment profit or loss, assets, and liabilities is consistent with the information in the financial statements; please refer to the balance sheets and statements of comprehensive income.

(c) Information about products and services

The Company is mainly engaged in single-product manufacturing and selling of wafers. The information on products is consistent with the financial statements; please refer to the statements of comprehensive income.

(Continued)

**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements (Continued)**

(d) Geographic information

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

<u>Geographic Area</u>	<u>2020</u>	<u>2019</u>
Revenue from external customers:		
United States	\$ 344,280	991,749
Mainland China	1,348,587	813,800
Taiwan	461,432	239,488
Other	154,790	91,233
	<u>\$ 2,309,089</u>	<u>2,136,270</u>
Non-current assets:		
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Taiwan	<u>\$ 2,753,014</u>	<u>2,810,841</u>

(e) Major shareholders:

The sales to individual customers that constituted 10% or more of net sales were as follows:

<u>Customer</u>	<u>2020</u>	<u>2019</u>
C	\$ 609,169	136,744
B	209,086	879,011
A	373,440	403,411
	<u>\$ 1,191,695</u>	<u>1,419,166</u>

**LANDMARK OPTOELECTRONICS CORPORATION**

**Statement of cash and cash equivalents**

**December 31, 2020**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Cash on hand	\$ 384
Bank deposits	Demand deposits	410,750
	Foreign currency demand deposits(USD2,204,727.9, exchange rate at 28.48)	62,791
	Foreign currency demand deposits(CNY918.89, exchange rate at 4.377)	4
	Time deposits(From 2021.1.4 to 2021.11.16)	796,180
Repurchase agreements collateralized by commercial paper	Repurchase agreements collateralized by commercial paper(From 2021.1.6 to 2021.2.19, interest rate at 0.26%~0.5%)	276,571
		<u><u>\$ 1,546,680</u></u>

**Statement of trade receivables**

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
<b>Non-related-parties :</b>		
A	Trade receivables for sales	\$ 197,240
C	"	181,640
D	"	43,132
E	"	34,093
Other(Note1)	"	<u>175,853</u>
Subtotal		631,958
Less: Loss allowance		<u>(1,513)</u>
<b>Total</b>		<u><u>\$ 630,445</u></u>

Note1 : The amount of individual client included in others does not exceed 5% of the account balance.

**LandMark Optoelectronics Corporation**  
**Statement of inventories**  
**December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Market price</u>	
Finished goods	\$ 84,226	71,787	Market price is determined by net realizable value
Work in progress	30,755	30,755	"
Raw materials	81,408	84,661	"
Supplies	87,334	60,746	"
Less: Allowance for inventory devaluation and obsolescence	<u>(75,687)</u>		
<b>Total</b>	<b>\$ <u>208,036</u></b>		

Note : The above inventories were not pledged as collateral or restricted in any way.

**Statement of prepayments and other current assets**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
<b>Prepayments :</b>		
Prepaid expenses	Prepaid insurance 、 software usage fee and maintenance	\$ 11,418
Other	Office supplies	<u>1,772</u>
		<b>\$ <u>13,190</u></b>
<b>Other current assets :</b>		
Tax refund receivable	Sales tax refund receivable	\$ 5,582
Temporary payments	Charitable giving from employees and physical examination at one's own expense	<u>127</u>
		<b>\$ <u>5,709</u></b>

**LandMark Optoelectronics Corporation**  
**Statement of other financial assets - current**  
**December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Restricted bank deposits	Post-release duty payment of import cargo deposits	\$ <u><u>3,668</u></u>

**Statement of changes in property, plant and equipment**  
**For the year ended December 31, 2020**

Statement of changes in property, plant and equipment, please refer to note 6(d).

**Statement of changes in right-of-use assets**

Statement of changes in right-of-use assets please refer to note 6(e).



**LandMark Optoelectronics Corporation**  
**Statement of changes in intangible assets**  
**For the year end December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

Statement of changes in intangible assets, please refer to note 6(f).

**Statement of other financial assets - non-current**  
**December 31, 2020**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Restricted bank deposits	Lease deposit for Southern Taiwan Science Park	\$ 12,652
Refundable deposits	Waste disposal and rental deposits	583
		<u><u>\$ 13,235</u></u>

**Statement of change in other non-current assets**  
**For the year ended December 31, 2020**

<b>Item</b>	<b>Beginning Balance</b>	<b>Addition</b>	<b>Decrease</b>	<b>Ending Balance</b>	
Prepayment for equipment	\$ 3,860	31,188	3,860	31,188	
Instalment of technology authorization	2,177	-	125	2,052	
Prepayment for security cellphone	107	-	86	21	
Prepayment for computer software	1,170	-	1,170	-	(Note1)
Total	<u><u>\$ 7,314</u></u>	<u><u>31,188</u></u>	<u><u>5,241</u></u>	<u><u>33,261</u></u>	

Note 1: Reclassified to intangible assets, please refer to Note 6(f).

**LandMark Optoelectronics Corporation**  
**Statement of notes payable**  
**December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
<b>Non-related-party :</b>		
F	Notes payable due to providing services	\$ <u><u>248</u></u>

**Statement of trade payables**

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
<b>Non-related-party :</b>		
G	Accounts payables due to purchasing goods	\$ 62,866
H	"	18,634
I	"	9,479
Other(Note1)	"	<u>19,453</u>
		<b>\$ <u><u>110,432</u></u></b>

Note1 : The amount of individual client included in others does not exceed 5% of the account balance.

**LandMark Optoelectronics Corporation**  
**Statement of current contract liabilities, other payables**  
**and other current liabilities**

**December 31, 2020**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
<b>Current contract liabilities :</b>		
Unearned sales revenue	Unearned sales revenue	\$ <u><u>10,378</u></u>
<b>Other payables :</b>		
Salaries and bonuses payable	Salaries payable for December, year-end bonuses and non-leaving pay	\$ 37,178
Employee compensation payable	Employee compensation payable	82,126
Director's remuneration payable	Director's remuneration payable	7,883
Payables on equipment	Purchase of machinery	96,300
Other	Pension, professional service fees and other expenses	<u>49,026</u>
		\$ <u><u>272,513</u></u>
<b>Other current liabilities :</b>		
Other	Withholding labor insurance, income tax and pension	\$ <u><u>1,016</u></u>

**Statement of lease liabilities**

<b>Item</b>	<b>Description</b>	<b>Lease term</b>	<b>Discount rate</b>	<b>Amount</b>	<b>Note</b>
Land	Leases land from Southern Tainan Science Park	2010.8.1~2057.10.25	1.345%	\$ 325,054	
Transportation equipment	Car rental	2018.7.16~2021.7.15	1.345%	<u>534</u>	
				\$ <u><u>325,588</u></u>	

**LANDMARK OPTOELECTRONICS CORPORATION**

**Statement of operating revenue**

**For the year ended December 31, 2020**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Sales revenue — wafer	Note	\$ 2,288,561	
Other		<u>21,257</u>	
Subtotal		2,309,818	
Less : Sales discounts and allowances		314	
Sales returns		<u>415</u>	
Net revenue		<u><u>\$ 2,309,089</u></u>	

Note : The products have multiple specifications and different units.

**LANDMARK OPTOELECTRONICS CORPORATION**

**Statement of operating costs**

**For the year ended December 31, 2020**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>
Raw materials, beginning of year	\$ 37,650
Add : Raw materials purchased	355,016
Less : Raw materials, end of year	81,408
Raw material sold	366
Transferred to operating expenses	11,824
Raw materials used	299,068
Supplies, beginning of year	96,595
Add : Supplies purchased	169,077
Less : Supplies, end of year	87,334
Supplies sold	38
Transferred to assets	16,447
Transferred to operating expenses	106,361
Supplies scrapped	95
Supplies used	55,397
Direct labour	67,682
Manufacturing expense	892,829
Manufacturing cost	1,314,976
Add : Work in process, beginning of year	19,897
Transferred from finished goods	133,912
Less : Work in process, end of year	30,755
Transferred to operating expenses	88,994
Cost of finished goods	1,349,036
Add : Finished goods, beginning of year	135,055
Finished goods processing fee	5,270
Less : Finished goods, end of year	84,226
Transferred to work in process	133,912
Finished goods scrapped	82,002
Transferred to operating expenses	98,758
Cost of sale of finished goods	1,090,463
Add : Cost of sale of raw materials	404
Write-off for inventories scrapped	82,097
Less : Revenue from sale of scraps	7,370
Gain from obsolete inventories	20,983
<b>Total</b>	<b>\$ 1,144,611</b>

**LANDMARK OPTOELECTRONICS CORPORATION**

**Statement of operating expenses**

**For the year ended December 31, 2020**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Selling and marketing expenses</b>	<b>General and administrative expenses</b>	<b>Research and development expenses</b>	<b>Total</b>
Salary and wages	\$ 22,251	47,365	64,514	134,130
Rent	-	39	1,466	1,505
Travelling expenses	1,184	11	126	1,321
Freights	2,444	-	4	2,448
Utilities	779	5,676	1,636	8,091
Insurance expenses	2,351	5,089	3,732	11,172
Taxes	-	3,612	-	3,612
Depreciation expenses	490	27,005	26,308	53,803
Amortization expenses	-	5,295	-	5,295
Meal expenses	338	711	705	1,754
Employee benefits	12	4,017	22	4,051
Research expenses	-	-	162,563	162,563
Commission expenses	3,525	-	-	3,525
Other management expenses	816	4,692	521	6,029
Miscellaneous purchase	111	957	1,141	2,209
Professional service fees	-	1,790	30	1,820
Inspection expense	-	-	6,673	6,673
Samples expense	31,798	-	-	31,798
Other expenses	2,564	7,219	4,639	14,422
	<b>\$ 68,663</b>	<b>113,478</b>	<b>274,080</b>	<b>456,221</b>

**Statement of non-operating income and expenses**

Statement of non-operating income and expenses, please refer to note 6(p).

# LandMark Optoelectronics Corporation

Chairman: *Ching-Yi Chang*

Date: March 31, 2021