

Stock Code: 3081



# **LandMark Optoelectronics Corporation**

## **2021 Annual Report**

Printed Date: March 31, 2022

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

Tel.: (06) 505-8999

Tel.: (06) 505-8999

Email: [investor@lmoc.com.tw](mailto:investor@lmoc.com.tw)

Email: [investor@lmoc.com.tw](mailto:investor@lmoc.com.tw)

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

Address of headquarter and the factory No. 1:

No.12, Nanke 9th Rd., Shanhua Dist., Tainan City, Taiwan

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 CPAs: Mr. Yen-Da Su, Mr. Chen-Lung Hsu

Name of 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,

In 2021, the optical communication industry was affected by multiple factors such as the impact of the pandemic, shortages of components, and sluggishness in global transportation. As a result, customers' ability to pull in goods was not as good as expected and demand for the Company's products in telecom-related products dropped sharply in the second half of the year. This caused revenues and profits for 2021 to decline from the previous year.

Although facing the short-term operational headwinds, the Company continued to pursue progress in its corporate sustainability (ESG) planning and execution. In 2021, the Company ranked the Top 5% TPEX-listed Companies with respect to Corporate Governance Evaluation for the consecutive third time in a row. We were also selected as a “Corporate Governance” constituent on the OTC’s market Indices. This accurately represents the implementation of our corporate governance. At the same time, we were recognized with a “Workplace Equal Rights Award” , as a “2021 Tainan City Five Hearts Workplace Certification Unit” , and as a “2021 Sports Enterprise Certification Unit” by the Southern Taiwan Science Park in 2021. This reflects the results of our efforts to attract and retain top talent.

### **Operating results in comparison with the previous year are reported as follows:**

The Company’s operating revenue in 2021 was NT\$ 1.873 billion, a decrease of 19% over NT\$ 2.309 billion in 2020 and net operating profit in 2021 was NT\$412 million, down 42% over the previous year. Net income in 2021 was NT\$337 million, a decrease of 43% over NT\$ 591 million in 2020, and EPS was NT\$ 3.71, down 43% over NT\$ 6.50 in 2020. Gross profit margin was 41% compared with 51% in 2020, and operating profit margin was 22% compared with 31% a year earlier. Net profit margin was 18.02%, a decrease of 7.56% from 25.58% in 2020.

### **R&D progress:**

In 2021, the Company invested NT\$205 million in research and development. We primarily focused on 25G/50G above high-speed components, 400G and 800G related products for data centers, as well as working with customers to co-develop 3D sensing, Metaverse, and other consumer application products.

## **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 epi-wafers applied to LiDAR for autonomous driving vehicles, 3D sensing components for consumer electronic products, and laser and sensing elements for Metaverse application products. The Company continues striving to maintain and enhance our leading position in the field of optical communications and our driving momentum in achieving long-term growth.

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

Over the years, the Company has dynamically worked with customers 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. We have continued investing in more manufacturing equipment to meet the surging demand for high-end laser chips so as to strengthen our competitive advantages of large-scale production capacity.

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

The Company continues to optimize the manufacturing process to improve the capacity utilization rate. We pursue excellence in quality control, production yield, and production management. At the same time, we have implemented a new SPC system to monitor production processes, control variations, and conduct abnormal analysis 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**

Continuing to provide improved product services is our fundamental goal, we will dedicate to collaborating with customers in developing 50G, 100G EML, and 400G/800G high-speed modules and other application products. Furthermore, we endeavor to provide high-quality and competitive products with the flexible and efficient product delivery to our customers so as to expand their market shares and capture the growth together.

With our sound financial structure and process technology advantages, the Company focuses on high-end products and new product development in different application fields, continuously strengthening the improvement of production efficiency and the management of the resources, talent, and technologies that we own in order to strengthen our business performance in confronting every type of challenges. Moreover, in the context of a changing regulatory environment, we will continue to devote attention to implementing each revision in the regulations such as amendments to relevant laws and regulations concerning the Company Act, the Labor Standards Act, workplace safety and environmental protection, corporate governance, ensuring compliance with these laws and regulations.

Lastly, 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 of 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 established.
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 ISO 9001:2000 Quality Management System 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-

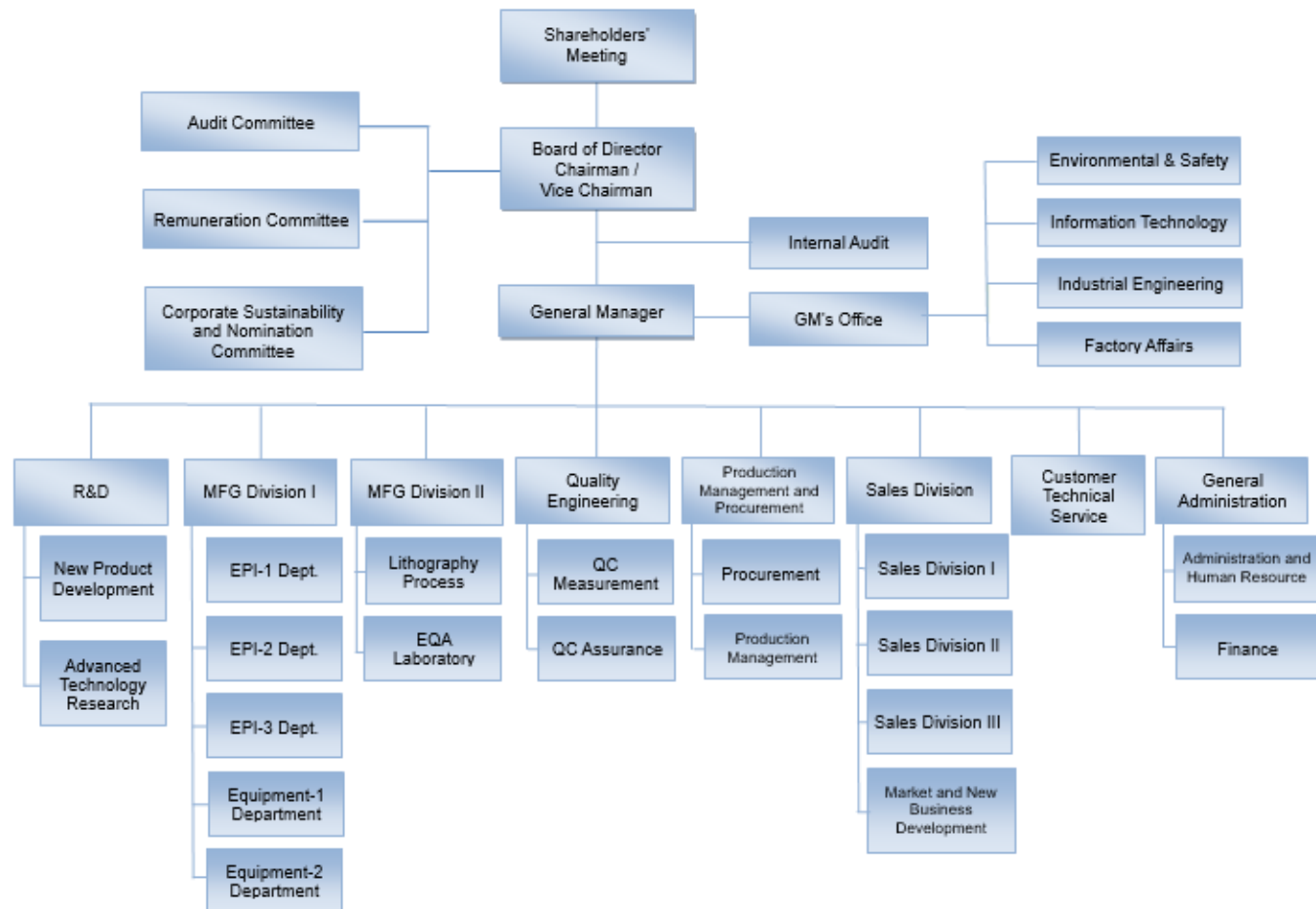


	junction Solar Cell.
2008/01	The Company carried out the merger of TaiJe Optoelectronic Co., Ltd.
2009/01	The Completed DFB &BH epitaxy was in mass production.
2010/07	The Company invested to establish a new factory in Southern Taiwan Science Park.
2011/12	The new factory in Southern Taiwan Science Park 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.
2018/07	The construction project of the second factory (in Southern Taiwan Science Park) was launched.
2019/04	The Company was acknowledged as one of top 5% publicly listed companies in 2018 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 obtained IATF16949 Automotive Quality Management System Certificate.
2021/04	The Company was acknowledged as one of top 5% publicly listed companies in 2020 Corporate Governance Evaluation.
2021/08	The Company obtained ISO 45001:2018 Occupational Health and Safety Management System.
2021/10	Recognized as a "2021 Tainan City Five Hearts Workplace Certification Unit".
2021/11	Recognized with 2021 Sports Enterprise Certification Unit jointly issued by the Sports Administration and Global Views Monthly.
2021/12	Won the 2021 Workplace Equal Rights Award awarded by the Southern Taiwan Science Park.

### III. Corporate Governance

#### i. Organization

##### A. Organizational Chart



## B. Corporate Functions of Major Departments

Department	Functions
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>

Department	Functions
	<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, 2022 Units: shares; %

Title	National	Name	Gender Age	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.	Huasheng International Investment Ltd.		20200520	3	20170503	7,299,640	7.99	7,299,640	7.99	-	-	-	-	-	-	-	-	-	Note1
	R.O.C.	Representative: Ching-Yi Chang	Male 60~69	20200520			-	-	81,000	0.09	-	-	-	-	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	Male 60~69	20200520	3	20051122	155,622	0.17	160,622	0.18	1,300	0.001	-	-	- Doctor of science in electrical engineer, NCKU - Chairperson of sup- program, Chunghwa Telecom Research Institute	- CTO of LandMark	-	-	-	-
Director	R.O.C.	Jerry Yang	Male 50~59	20200520	3	20130411	85,824	0.09	86,824	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	Male 50~59	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	Male 70~79	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 Age	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	Male 60~69	20200520	3	20170503	-	-	-	-	-	-	-	-	- DBA of National Chengchi University - Master of Accounting, National Chengchi University - Director of Ernst & Young Taiwan CPA's firm - Chairman of EY Management Consulting Inc. - Chairman of EY Cultural and Educational Foundation - CPA in Taiwan and China - CPA/CMA in the US	- Vice Chairman (Legal Representative) and General Manager of Elitegroup Computer Systems 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	Male 60~69	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. - Independent Director of RUN LONG CONSTRUCTION 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, 2022

Name of corporate shareholder	Major shareholders of corporate shareholders
Huasheng International Investment Ltd.	The CID Group Inc. (Shareholding ratio, 100%)

c. Major Shareholders of Major Corporate Shareholders

March 31, 2022

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

d. Status of director expertise, board diversity policy, and independence

(1) Disclosure of information on the professional qualifications of directors and the independence of independent directors:

Criteria Name	Professional qualifications and experience	Independence Status (Note)												Number of public companies where the person holds the title as independent director
		1	2	3	4	5	6	7	8	9	10	11	12	
Ching-Yi Chang	M.B.A., Department of Business Administration, National Chengchi University, Founder and Chairman of CID Group Ltd. Current Chairman and Chief Strategy Officer of the Company. Director at Taiflex Scientific Co. Ltd, and numerous other listed companies. He has extensive experience and ability in corporate governance, operations management, market strategy and industry development planning, and is committed to leading the Company towards sustainable management.		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		—
Wei Lin	PhD. in Electrical Engineering, National Cheng Kung University. Chunghwa Telecom Research Institute / Sub-project lead. Company founder, current Vice Chairman and Chief Technology Officer. Possesses more than 30 years of experience in metal organic vapor phase epitaxy technology. with rich industry insights and management capabilities, he has lead the Company's technology research and development prowess towards industry leadership.		✓		✓	✓	✓	✓	✓	✓	✓	✓		—
Jerry Yang	Master's degree in financial management from National Chengchi University, CPA (Taiwan), Chartered Financial Analyst (CFA). Board Director and Chief Financial Officer of the Company, Director of Advanced Power Electronics Corp. Yang specializes in finance, accounting, corporate governance and management, and has extensive planning and execution experience in improving the performance and management efficiency of companies.		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
Yong Hong Lu	PhD. in Applied Chemistry from National Chiao Tung University. Lu was a Vice President of AU Optronics Corp. and currently serves as a Director of Shuz Tung Machinery Industrial Co., Ltd. He has extensive experience in business management and industry.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		—
Bob Tseng	PhD. in Chemical Engineering from the University of Texas, USA. He has over 20 years of experience as Vice President and Plant Manager in TSMC and Vanguard International Semiconductor, and has extensive experience in	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		—



	semiconductor manufacturing, quality control and plant management.														
James Wang	He holds a master's degree in accounting and a doctorate in business administration (DBA) from National Chengchi University. He is a certified public accountant in Taiwan, China, and a CPA/certified management accountant in the United States. Previously, he worked as a director at Ernst & Young. Convener of the Audit Committee of the Company and serves as the Vice Chairman (Legal Representative) and President of Elitegroup Computer Systems, as well as an independent director of PCL Technologies, SYSAGE Technology, and numerous other listed companies. He has extensive experience and capabilities in corporate governance, business operations, financial accounting, and strategic planning for business sustainability.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Yong Chang Chen	A licensed practicing lawyer in Taiwan. He graduated from the College of Law, National Taiwan University, and served as a judge at Taiwan High Court. He is currently the president of All-Pro Law Firm, and an independent director of several listed companies, including Center Laboratories Inc., Collins Co.,Ltd., and Run Long Construction Co.,Ltd., with extensive experience in the legal profession and actual practice.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3

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 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 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.

## (2) Diversity and independence of the Board of Directors:

### a. Board diversity:

The 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.

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. To achieve the desired goals of corporate governance, the Board of Directors should possess the following overall competencies: sound operational judgment, accounting and financial analysis, operational management, crisis management, industry knowledge, international market perspective, leadership, and decision-making skills.

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. The 7 current directors include 5 professionals in the industry knowledge field, for a ratio of 71.42%. Board members actively attended board meetings with the 2021 attendance rate attaining 100%, for the sake of effective supervision and to understand the implementation of business plans.

Skills	Relevance to LandMark	Number of Directors
Board/Committee Chair	Management leadership experience is considered a strategic asset to the Board and functional committees	7
Relevant industry experience	Assist in reviewing the Company's business operations, finances and investments	5
Public Administration	Bringing experience in regulatory compliance and stakeholder communication	7
Risk management	Risk and compliance with the law are the responsibility of the Board of Directors.	7
Accounting Expertise	Bringing supervision, consulting and operational experience in various disciplines	2
Legal Expertise		1

b.Independence of the Board of Directors:

Currently, there are three independent Directors and the number of independent Directors of the Company is 42.85%. None of the independent directors has served more than three consecutive terms. There are no family relationships among all the directors of the Company as defined in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act.

## B. Information Regarding Management Team

March 31, 2022 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.	Male	2020.05.01	81,000	0.09%	-	-	-	-	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.	Male	2007.06.15	160,622	0.18%	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.	Male	2017.03.20	27,000	0.03%	-	-	-	-	- 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.	Male	2013.04.11	86,824	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	-	-	-	-
Sales Dept. Deputy General Manager Richard Bai	R.O.C.	Male	2017.06.01	20,000	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.	Male	2016.11.18	17,500	0.02%	-	-	-	-	- Master, Department of Electronics Engineering, NCKU	-	-	-	-	-
MFG Division II Assistant manager Han-Ti Hsiao	R.O.C.	Male	2017.08.04	14,000	0.01%	-	-	-	-	- Chemical engineering, NTU - Manager, TSMC R&D Manufacturing Center	-	-	-	-	-
Corporate Governance Officer Belinda Wu	R.O.C.	Female	2021.12.22	3,500	0.004%	-	-	-	-	- Department of Accounting, NCUE - Audit Services Manager, PwC Taiwan CPA's firm	-	-	-	-	-

Note 1: Shares held as of March 31, 2022, 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 (2021) 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		
										Cash dividend	Stock dividend							Cash dividend	Stock dividend			
Director	Huasheng International Investment Ltd. Representative: Ching-Yi Chang	-	-	-	-	2,947	2,947	120	120	0.91	0.91	13,984	13,984	-	-	-	-	-	-	5.05	5.05	None
	Wei Lin																					
	Jerry Yang																					
	Yong Hong Lu																					
Independent Director	Bob Tseng	-	-	-	-	1,715	1,715	180	180	0.56	0.56	-	-	-	-	-	-	-	-	0.56	0.56	None
	James Wang																					
	Yong Chang Chen																					
<div>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.</div> <div>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.</div>																						

### 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	Representative of Huasheng International Investment Ltd. : Ching-Yi Chang, Wei Lin, Jerry Yang, Yong-Hong Lu, Bob Tseng, James Wang, Yong Chang Chen	Representative of Huasheng International Investment Ltd. : Ching-Yi Chang, Wei Lin, Jerry Yang, Yong-Hong Lu, Bob Tseng, James Wang, Yong Chang Chen	Yong-Hong Lu, Bob Tseng, James Wang, Yong Chang Chen	Yong-Hong Lu, Bob Tseng, James Wang, Yong Chang Chen
NT\$1,000,000 thousand (inclusive) ~ NT\$2,000,000 (exclusive)	-	-	-	-
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	-	-	-	-
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	-	Jerry Yang	Jerry Yang
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	-	-	Representative of Huasheng International Investment Ltd. : Ching-Yi Chang, Wei Lin	Representative of Huasheng International Investment Ltd. : Ching-Yi Chang, 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\$ thousands

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	15,027	15,027	-	-	13,667	13,667	-	-	-	-	8.50	8.50	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 2021 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)	Jerry Yang	Jerry Yang
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Ching-Yi Chang, Keiro Komatsu, Richard Bai	Ching-Yi Chang, 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 individuals	6 individuals



### 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	-	-	-	-
	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				
	Corporate Governance Officer	Belinda Wu				

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 2021 remuneration for employee of the managers, which the Company proposed to distribute, hasn't been approved by the board of directors in 2022. 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	2020		2021	
	The company	In proportion to Earnings After Tax (%)	The company	In proportion to Earnings After Tax (%)
The remuneration paid to directors	8,218	1.39	4,962	1.47
The remuneration paid to presidents and vice presidents	42,685	7.23	28,694	8.50

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 2020 and 2021.

- b. The policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk.
1. Payment of remuneration is determined according to directors' degree of participation in the Company's business policies and the Company's profitability. The remuneration of directors includes travel expenses, business execution expenses and compensation. In accordance with Article 20 of the Company's Articles of Incorporation, 1% of the Company's profit for the year shall be set aside as remuneration to the directors if the Company makes a profit. The remuneration of Directors is regularly evaluated in accordance with the "Rules for Board of Directors Performance Assessments", the results of the performance evaluation by the Board of Directors will be used as a reference for the selection or nomination of Directors, and also as a reference for the determination of their individual remuneration. The related performance evaluation and the reasonableness of the remuneration are reviewed by the Remuneration Committee and the Board of Directors.
  2. The remuneration of the general manager, deputy general manager(s), and executive officers includes salary, bonus, employee remuneration, and employee restricted shares, and so on. In accordance with the Company's Articles of Incorporation, if there is profit in the current year, no less than 8% shall be allocated as employee compensation. 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 6 meetings of the Board of Directors were held in 2021, the attendance of directors was as follows:

Title	Name	Actual attendance	By proxy	Actual attendance rate (%)	Notes
Chairman	Ching-Yi Chang	6	—	100%	-
Director	Wei Lin	6	—	100%	-
Director	Jerry Yang	6	—	100%	-
Director	Yong Hong Lu	6	—	100%	-
Independent Director	Bob Tseng	6	—	100%	-
Independent Director	James Wang	6	—	100%	-
Independent Director	Yong Chang Chen	6	—	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: July 28, 2021

(a) Discussion content: The Company's annual manager salary adjustment plan.

Directors' avoidance of conflict of interest: At the time of this resolution, the relevant managers (Ching-Yi Chang, Chief Strategy Officer; Wei Lin, Chief Technology Officer; Roger Lo, General Manager; Jerry Yang, Chief Financial Officer; and Richard Bai, Deputy General Manager) recused themselves and left the meeting first.

(b) Discussion content: The Company's executive officer employee compensation plan for 2020.

Directors' avoidance of conflict of interest: At the time of this resolution, the relevant managers (Ching-Yi Chang, Chief Strategy Officer; Wei Lin, Chief Technology Officer; Roger Lo, General Manager; Jerry Yang, Chief Financial Officer; and Richard Bai, Deputy General Manager) recused themselves and left the meeting first.

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, 2021 to December 31, 2021	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, 2021 to December 31, 2021	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, 2021 to December 31, 2021	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 the Corporate Sustainability Committee by a resolution of the Board of Directors on December 17, 2019. It also made recommendations to the Board of Directors on governance matters such as the nomination and appointment of directors (including independent directors). The Company renamed the Corporate Sustainability Committee as the Corporate Sustainability and Nomination Committee in October, 2020.
- (3) Ranked the Top 5% TPEX-listed Companies with respect to Corporate Governance Evaluation for the consecutive third time (2018~2020) in a row.
- (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) In order to strengthen corporate governance and improve risk management, the Company has established a "Risk Management Policy".
- (7) In order to protect the Directors and officers from the risks they bear in the execution of their duties, the Directors and officers are covered under the "Directors' and Managers' Liability Insurance" every year.

## B. Audit Committee

A total of 4 meetings of Audit Committee were held in 2021. 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%	—

### Professional qualifications and experience of Audit Committee members:

Members	Professional qualifications and experience
Bob Tseng	PhD. in Chemical Engineering from the University of Texas, USA. He has over 20 years of experience as Vice President and Plant Manager in TSMC and Vanguard International Semiconductor, and has extensive experience in semiconductor manufacturing, quality control and plant management.
James Wang	He holds a master's degree in accounting and a doctorate in business administration (DBA) from National Chengchi University. He is a certified public accountant in Taiwan, China, and a CPA/ certified management accountant in the United States. Previously, he worked as a director at Ernst & Young. Convener of the Audit Committee of the Company and serves as the Vice Chairman (Legal Representative) and President of Elitegroup Computer Systems, as well as an independent director of PCL Technologies, SYSAGE Technology, and numerous other listed companies. He has extensive experience and capabilities in corporate governance, business operations, financial accounting, and strategic planning for business sustainability.
Yong Chang Chen	A licensed practicing lawyer in Taiwan. He graduated from the College of Law, National Taiwan University, and served as a judge at Taiwan High Court. He is currently the president of All-Pro Law Firm, and an independent director of several listed companies, including Center Laboratories Inc., Collins Co.,Ltd., and Run Long Construction Co.,Ltd., with extensive experience in the legal profession and actual practice.

### 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.

Audit Committee Date and Period	Agenda	Independent directors' dissenting opinions, reservations or significant recommendations:	Results of Audit Committee Resolutions	The Company's responses to the opinion of the Audit Committee
The 3rd Meeting of the 3rd Audit Committee 2021.02.03	1. Internal audit implementation cases. 2. The Company's 2020 annual internal control self-assessment and "Statement of Internal Control	None	After the Chairperson puts forward the relevant resolutions for approval with all members present, the motion was	Submitted for approval by the 6th meeting of the 10th Board of Directors, and carried out in accordance with the resolution of the Board of

	System". 3. Proposal of the company's 2020 financial report and business statement. 4. Approved the Company's 2020 earnings distribution proposal. 5. Evaluation of appropriateness and independence of the CPA and appointed remuneration.		passed without objection.	Directors.
The 4th Meeting of the 3rd Audit Committee 2021.04.28	1. The Company's financial statements for the first quarter of 2021. 2. New bank financing line and renewal of a credit line. 3. Proposal of procurement for production equipment.			Submitted for approval by the 7th meeting of the 10th Board of Directors, and carried out in accordance with the resolution of the Board of Directors.
The 5th Meeting of the 3rd Audit Committee 2021.07.28	1. The Company's financial statements for the second quarter of 2021.			Submitted for approval by the 9th meeting of the 10th Board of Directors, and carried out in accordance with the resolution of the Board of Directors.
The 6th Meeting of the 3rd Audit Committee 2021.10.27	1. The Company's financial statements for the third quarter of 2021. 2. Amendment of the Company's Articles of Incorporation.			Submitted for approval by the 10th meeting of the 10th Board of Directors, and carried out in accordance with the resolution of the Board of Directors.

(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: None.

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 2021 up to the printing date of the annual report:

Date	Type of meeting	Matters to be communicated	Outcome of communication
2021.02.03	Audit Committee	1.Report on implementation of audit matters in 4th quarter of 2020 and internal control self-evaluation of 2020. 2.Evaluation of the effectiveness of the internal control system in 2020.	No objective opinion.
2021.04.28	Audit Committee	Report on the implementation of audit matters in the 1st quarter of 2021.	No objective opinion.
2021.07.28	Audit Committee	Report on the implementation of audit matters in the 2nd quarter of 2021.	No objective opinion.
2021.10.27	Audit Committee	Report on the implementation of audit matters in the 3rd quarter of 2021.	No objective opinion.
2022.01.26	Audit Committee	Report on the implementation of audit matters in the 4th quarter of 2021 and internal control self-evaluation of 2021.	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 satiation 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
2021.02.03	Audit Committee	The coverage of audit report of the 2020 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.
2021.10.27	Audit Committee	Financial statement review results for the 3rd quarter of 2021, annual audit plan for 2021, important regulatory updates, and so on.	No objective opinion.
2022.01.26	Audit Committee	The coverage of audit reports of the 2021 financial statements, key audit matters (evaluation of inventory), adjustment of audit difference, matters of concern for competent authorities, important laws for certification and management and updates in tax laws, and so on.	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:
  - Establishment or revision of the internal control system.
  - Evaluation of the effectiveness of the internal control system.
  - Formulating or modifying the processing procedures for major financial business activities that acquire or dispose of assets, engage in derivative commodity transactions, loan funds to others, endorse or provide guarantees for others.
  - Matters related to directors' conflict of interest.



- Significant asset or derivative commodity transactions.
- Significant capital loans, endorsements or guarantees.
- Raising, issuing or private placement of equity securities.
- Appointment, dismissal or remuneration of certified public accountants:  
 The Audit Committee is charged with the responsibility of overseeing the independence of the CPA firm to ensure the integrity of the financial statements. In order to ensure the independence of the certified public accountants, the Audit Committee establishes the audit evaluation form for the certified public accountants with reference to the current laws and regulations or the content of the Code of Ethics for accounting set forth by the competent authorities, and evaluates the independence, professionalism and appropriateness of the certified public accountants, and assesses whether they are related parties, have business or financial interests with the Company. The 3rd Audit Committee of the 3rd session on February 3, 2021 and the 6th Board of Directors' Meeting of the 10th session on February 3, 2021 considered and approved that Yen-Ta Su and Chen-Lung Hsu, Certified Public Accountants of KPMG Taiwan met the independence evaluation criteria and were qualified to serve as the independent financial and tax auditors of the Company.
- Appointment of financial, accounting or internal audit managers.
- Financial report, business report and proposal for allocation of remuneration:  
 The Board of Directors has prepared the Company's 2021 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 above-mentioned business report, financial statements and earnings distribution proposal have been reviewed by this Audit Committee which regards them as having no discrepancies.
- Other important matters specified by the 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.	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's internal procedures for handling shareholders' suggestions, questions, disputes and litigation matters are as follows: the spokesperson's and acting spokesperson's contact telephone numbers and e-mail addresses are used to collect questions from shareholders, and the spokesperson and acting spokesperson handle and respond to shareholders' suggestions and questions; the legal department handles and responds to disputes and litigation matters. Currently, the relationship between the Company and its shareholders is harmonious and no dispute or litigation has occurred.	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 information?	✓		The Company has established “Operation Procedure for Prevention of Insider Trading” to abandon any of the Company's employees from making use of or revealing to others the unpublicized information for benefit from stock trading.	None
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its	✓		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	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																																																																
	Yes	No	Summary																																																																	
members?			<p>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.</p> <p>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.</p> <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><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>	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	✓	✓	✓	✓	✓		Yong Hong Lu	Male	✓	✓	✓				Bob Tseng	Male	✓	✓	✓			✓	James Wang	Male	✓	✓		✓			Yong Chang Chen	Male	✓	✓			✓		
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	✓	✓	✓	✓	✓																																																														
Yong Hong Lu	Male	✓	✓	✓																																																																
Bob Tseng	Male	✓	✓	✓			✓																																																													
James Wang	Male	✓	✓		✓																																																															
Yong Chang Chen	Male	✓	✓			✓																																																														
			3. The policy for diversity in Board of Director members is revealed in																																																																	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>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>	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		In addition to the Remuneration Committee and the Audit Committee established according to law, the Company has also established the “Corporate Sustainability and Nominating Committee”, which regularly analyzes and discusses corporate strategies, operations and corporate sustainability issues related to corporate social responsibility, provides consultation and recommendations for the reference of the Board of Directors and the executive unit in making decisions and executions, and makes recommendations to the Board of Directors on governance matters such as the nomination and appointment of Directors (including independent directors). Corporate Sustainability and Nomination Committee member information and current operations, please refer to pages 41 to 43 of this annual report.	None
(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. 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>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																												
	Yes	No	Summary																													
			<p>4.Election and continuing education of the directors; and 5.Internal control. The self-evaluation of the Board of Directors’ members should cover the following 6 aspects: 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. 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 2021 self-evaluation outcome was presented at the Board of Directors meeting on January 26, 2022, and the evaluation results are as follows:</p> <table><tr><th>Evaluation Items</th><th>Strongly agree</th><th>Agree</th><th>No comment</th></tr><tr><td>1. Alignment of the goals and missions of the Company</td><td>76%</td><td>24%</td><td>0%</td></tr><tr><td>2. Awareness of the duties of a director</td><td>86%</td><td>14%</td><td>0%</td></tr><tr><td>3. Participation in the operation of the Company</td><td>73%</td><td>27%</td><td>0%</td></tr><tr><td>4. Management of internal relationship and communication</td><td>81%</td><td>19%</td><td>0%</td></tr><tr><td>5. The director's professionalism and continuing education</td><td>86%</td><td>14%</td><td>0%</td></tr><tr><td>6. Internal control.</td><td>100%</td><td>0%</td><td>0%</td></tr></table> <p>In addition, the performance evaluation of functional committees was carried out by means of a questionnaire and self-assessed by the functional committee members, and the evaluation results are as follows:</p>	Evaluation Items	Strongly agree	Agree	No comment	1. Alignment of the goals and missions of the Company	76%	24%	0%	2. Awareness of the duties of a director	86%	14%	0%	3. Participation in the operation of the Company	73%	27%	0%	4. Management of internal relationship and communication	81%	19%	0%	5. The director's professionalism and continuing education	86%	14%	0%	6. Internal control.	100%	0%	0%	
Evaluation Items	Strongly agree	Agree	No comment																													
1. Alignment of the goals and missions of the Company	76%	24%	0%																													
2. Awareness of the duties of a director	86%	14%	0%																													
3. Participation in the operation of the Company	73%	27%	0%																													
4. Management of internal relationship and communication	81%	19%	0%																													
5. The director's professionalism and continuing education	86%	14%	0%																													
6. Internal control.	100%	0%	0%																													

Evaluation Item	Implementation Status					Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons	
	Yes	No	Summary				
			Evaluation Items	Strongly agree	Agree	No comment	
			1. Participation in the operation of the Company	100%	0%	0%	
			2. Improvement of the quality of the Board of Directors' decision making	75%	25%	0%	
			3. Composition and structure of the Board of Directors	90%	10%	0%	
			4. Election and continuing education of the directors	92%	8%	0%	
			5. Internal control	89%	11%	0%	
			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.				
(4)Does the company regularly evaluate the independence of Certified Public Accountants (CPAs)?	✓		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 2021 is adopted by the Audit Committee meeting and the Board of Directors’ meeting on February 3, 2021. Refer to Note 1 of the “Auditing evaluation form for Certified Public Accountant” below for the criterion for CPAs’ independence and appropriateness.			None	
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	✓		As approved by resolution of the Board of Directors' Meeting on December 22, 2021, the Head of Finance Department of the Company appointed the Corporate Governance Officer. Her main duties are to handle matters related to the meetings of the Board of Directors and shareholders' meetings in accordance with the law, prepare minutes of the Board of Directors and shareholders' meetings, assist Directors in			None	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
in accordance with lawful regulations, registering and altering the Company’s information, making minutes for Board of Directors Meetings and Shareholders’ Meetings, etc.)?			<p>their appointment and continuing education, provide information necessary for Directors to perform their duties, and assist directors in compliance with laws and regulations, etc.</p> <p>The status of relevant task implementation in 2021 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>	
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. Communications with stakeholders in 2021 was reported to the Board of Directors on December 22, 2021. Refer to Note 2 in the table below for the Summary of Stakeholder Engagement/Communications.</li> <li>2. The Company has established various communication meetings to encourage the exchange of opinions between employees and management. The Company has also set up a dedicated employee mailbox and whistleblower channels in the Careers section of the Company’s website, so that employees can reflect their opinions and provide suggestions via e-mail in real time and maintain close interactions.</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	
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 acting 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's first, second and third quarterly financial reports were announced and filed well in advance of the prescribed deadlines, and the annual financial report was announced and filed within two months after the end of the fiscal year.	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, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the	✓		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 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	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
implementation of customer relations policies, and purchasing insurance for directors and supervisors)			<p>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 2021.”</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> <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>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			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 28, 2021, and the duration of insurance lasts from June 28, 2021 to June 28, 2022. The Company's “liability insurance for directors” has been revealed on the Market Observation Post System according to relevant laws.	
<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 8th Corporate Governance Evaluation in 2021:</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's website discloses the methods for the appointment and dismissal of internal auditors, evaluation and salary and remuneration.</p> <p>(c) An Information Security Committee was established, and the information security organizational structure, information security policy and specific management plan were disclosed on the Company's website.</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 appointed a corporate governance officer in charge of corporate governance affairs.</p> <p>(b) For indicators that have not yet been scored, continued to evaluate the feasibility of future improvements.</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 2021
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: <a href="mailto:investor@lmoc.com.tw">investor@lmoc.com.tw</a></li> </ul>	<ul style="list-style-type: none"> <li>Ranked in the top 5% in 2020 Corporate Governance Evaluation of TPEX-listed Companies.</li> <li>The participation rate of shareholders' meetings was 75.96% (over 80% of presented shareholders participated electronically) and votes in favor accounted for over 90% of the total represented share present.</li> <li>Hold telephone/on-site conferences for domestic and foreign investors.</li> <li>CSR report issued in the third year.</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: <a href="mailto:lmoc_hr@lmoc.com.tw">lmoc_hr@lmoc.com.tw</a></li> </ul>	<ul style="list-style-type: none"> <li>Recognized as a 2021 Tainan City Five Hearts Workplace Certification Unit.</li> <li>Recognized with 2021 Sports Enterprise Certification Unit jointly issued by the Ministry of Education and Global Views Monthly.</li> <li>Offered monthly childcare allowance of NT\$3,000 for employees who have 0 to 6-year-old children.</li> <li>The average salary of full-time non-managerial employees is NT\$960K/year.</li> <li>Passed ISO 45001 Occupational Safety and Health Management System.</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:<a href="mailto:sales@lmoc.com.tw">sales@lmoc.com.tw</a></li> </ul>	<ul style="list-style-type: none"> <li>Conduct annual customer satisfaction survey.</li> <li>The products conformed to EU RoHS, REACH chemicals regulations and restriction of PFOS/PFOA.</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:<a href="mailto:supply@lmoc.com.tw">supply@lmoc.com.tw</a></li> </ul>	<ul style="list-style-type: none"> <li>100% of raw material and package material suppliers signed the "Declaration of Hazardous Substances Free" form.</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 for three consecutive years</li> <li>Included in the Corporate Governance Index, TPEX Compensation Index, TIP Customized TPEX ESG Growth Total Return Index, TIP Customized TPEX ESG IT Elite Total Return Index, and other constituent stocks of the Taipei Exchange</li> <li>No fine determination for violations of laws.</li> </ul>

Note 3: On-the-job training of the Company's directors in 2021

Title	Name	Organizer of the course	Course Title	Duration
Chairman	Ching-Yi Chang	Taiwan Securities Association	Global economic trends and investment strategies in the post-pandemic era	3
		Taiwan Securities Association	The value of information security in the post-pandemic era and the China-US trade war	3
		Taiwan Corporate Governance Association	Legal matters that should be understood by boards of directors overseeing enterprises: Beware of inadvertently crossing a red line in the course of joint conduct	3
Vice Chairman	Wei Lin	Financial Supervisory Commission R.O.C.(Taiwan)	13th Taipei Corporate Governance Forum	6
Director	Jerry Yang	Accounting Research and Development Foundation	Investigation of capital flowing in financial fraud and discussion on cases of relevant legal responsibilities.	3
		Accounting Research and Development Foundation	Case analysis of false financial statements and how to discern key information in financial statements	3
		Accounting Research and Development Foundation	Comprehensive analysis of "Corporate Governance 3.0 - Blueprint for Sustainable Development"	3
		Accounting Research and Development Foundation	Financial risks and case analysis of Taiwanese enterprises' disposal of equity in mainland real estate	3
Director	Yong Hong Lu	Accounting Research and Development Foundation	Using ESG to improve corporate strategy capabilities	3
		Taiwan Corporate Governance Association	How corporate governance cooperates with the amendment and adjustment of the Company Act	3
Independent director	James Wang	Taiwan Corporate Governance Association	A turning point in a century-old international enterprise: learning from a century-old enterprise for sustainable development	1
		Securities & Futures Institute	Served as a lecturer for a course in "Skills for Directors and Supervisors to Interpret Financial Information" taught by the Securities and Futures Commission	3
		Securities & Futures Institute	Discussion of employee reward strategies and tools application	3
		Taiwan Corporate Governance Association	Distance between directors and the responsibility for misrepresentation of financial statements	1
Independent director	Bob Tseng	Accounting Research and Development Foundation	Using ESG to improve corporate strategy capabilities	3
		Accounting Research and Development Foundation	New policies for enterprise sustainable development and case analysis of fraud prevention	3
Independent director	Yong Chang Chen	Taiwan Corporate Governance Association	Fiduciary duty and business judgment guidelines for directors	3
		Taipei Exchange	Insider share promotion and briefing session for emerging market listed companies	3

## D. The composition and operation of the Remuneration Committee

### 1. Information Regarding Remuneration Committee members

March 31, 2022

Position	Name	Criteria	Professional qualifications and experience	Status of independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director	Bob Tseng		PhD. in Chemical Engineering from the University of Texas, USA. He has over 20 years of experience as Vice President and Plant Manager in TSMC and Vanguard International Semiconductor, and has extensive experience in semiconductor manufacturing, quality control and plant management.	In accordance with the provisions of the Company's Articles of Incorporation and the Code of Corporate Governance, Directors are elected through a candidate nomination system. The Company has obtained written declarations, academic qualifications and experience, and proof of employment from the Directors at the time of nomination and selection of the Board of Directors, and there are no circumstances specified in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act. The three independent directors listed on the left have been verified to be in compliance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act.	-
Independent Director	James Wang		He holds a master's degree in accounting and a doctorate in business administration (DBA) from National Chengchi University. He is a certified public accountant in Taiwan, China, and a CPA/ certified management accountant in the United States. Previously, he worked as a director at Ernst & Young. Convener of the Audit Committee of the Company and serves as the Vice Chairman (Legal Representative) and President of Elitegroup Computer Systems, as well as an independent director of PCL Technologies, SYSAGE Technology, and numerous other listed companies. He has extensive experience and capabilities in corporate governance, business operations, financial accounting, and strategic planning for business sustainability.		4
Independent Director	Yong Chang Chen		A licensed practicing lawyer in Taiwan. He graduated from the College of Law, National Taiwan University, and served as a judge at Taiwan High Court. He is currently the president of All-Pro Law Firm, and an independent director of several listed companies, including Center Laboratories Inc., Collins Co.,Ltd., and Run Long Construction Co.,Ltd., with extensive experience in the legal profession and actual practice.		2

## 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) Regularly evaluate and determine the achievement of the performance objectives by the Company's directors and executive officers, and determine the details and amount of salary and compensation for individual manager based on the evaluation results from the performance evaluation criteria.

## 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 2021. 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. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, the date and period of the Board of Directors, the content of the proposal, the resolution of the Board of Directors, and the Company's handling of the opinions of the Remuneration Committee should be stated. (If the remuneration approved by the Board of Directors exceeds the recommendation of the Remuneration Committee, the differences and reasons should be stated).					
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 the motion and follow-up measures		Resolution	The Company's responses to the opinion of remuneration committee	
July 28, 2021	(1) Allocation of remuneration for the Company's directors for 2020. (2) The Company's annual manager salary adjustment plan for 2021. (3) The Company's executive officer employee compensation plan for 2020.		The proposals were unanimously adopted by all committee members.	The proposal was unanimously adopted by all attendees at the Board of Directors meeting.	
December 22, 2021	Announcements: (1) The Company's planned ratio for 2022 employee compensation allocation.		-	-	



## E. Corporate Sustainability and Nomination Committee

### 1. Qualifications for appointment of members of the Corporate Sustainability and Nominating Committee

The Committee shall be composed of three to five Directors elected by the Board of Directors, of which a majority of the independent directors shall participate. The term of office of the committee members is the same as the term of the appointed Board of Directors.

### 2. Responsibilities of the Corporate Sustainability and Nominating Committee members

- (1) Formulating the sustainability policy. Set sustainability governance, ethical management, and environmental and social aspect.
- (2) Review, track, and modify progress and results of sustainability activities, and report regularly to the board of directors.
- (3) Follow issues of interest to stakeholders, including shareholders, customers, suppliers, employees, governments, NGOs, communities, and media, and communications programs.
- (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.
- (5) Timely assess the appropriateness of the structure of the Board of Directors and the number and professional background of board members.
- (6) Review the qualifications of the members of each committee under the Board of Directors and report to the Board.
- (7) Complying with Articles of Incorporation, other Internal regulations, and resolution of the board of directors.

### 3. Professional qualifications and experience of the members of the Corporate Sustainability and Nominating Committee and current operations:

- (1) There are currently four members serving on the Corporate Sustainability and Nominating Committee of the Company.
- (2) The term of office of the current members: October 28, 2020 to May 19, 2023. The Corporate Sustainability and Nominating Committee met four times in FY2021 (A), and the professional qualifications and experience of the members, their attendance and the matters discussed are as follows:

Position	Name	Professional qualifications and experience	Attendance in person	By proxy	Attendance Rate (%) (B/A)	Notes
Convener	Ching-Yi Chang	M.B.A., Department of Business Administration, National Chengchi University, Founder and Chairman of CID Group Ltd. Current Chairman and Chief Strategy Officer of the Company. Director at Taiflex Scientific Co.,Ltd. and numerous other listed companies. He has extensive experience and ability in corporate governance, operations management, market strategy and industry development planning, and is committed to leading the Company towards sustainable management.	4	-	100%	-
Member	Bob Tseng	PhD. in Chemical Engineering from the University of Texas, USA. He has over 20 years of experience as Vice President and Plant Manager in TSMC and Vanguard International Semiconductor, and has extensive experience in semiconductor manufacturing, quality control and plant management.	4	-	100%	-
Member	James Wang	He holds a master's degree in accounting and a doctorate in business administration (DBA) from National Chengchi University. He is a certified public accountant in Taiwan, China, and a CPA/certified management accountant in the United States. Previously, he worked as a director at Ernst & Young. Convener of the Audit Committee of the Company and serves as the Vice Chairman (Legal Representative) and President of Elitegroup Computer Systems, as well as an independent director of PCL Technologies, SYSAGE Technology, and numerous other listed companies. He has extensive experience and capabilities in corporate governance, business operations, financial accounting, and strategic planning for	4	-	100%	-

Position	Name	Professional qualifications and experience	Attendance in person	By proxy	Attendance Rate (%) (B/A)	Notes
		business sustainability.				
Member	Yong Chang Chen	A licensed practicing lawyer in Taiwan. He graduated from the College of Law, National Taiwan University, and served as a judge at Taiwan High Court. He is currently the president of All-Pro Law Firm, and an independent director of several listed companies, including Center Laboratories Inc., Collins Co.,Ltd., and Run Long Construction Co.,Ltd., with extensive experience in the legal profession and actual practice.	4	-	100%	-

Other mentionable items:

The date and session of the meeting of the Corporate Sustainability and Nominating Committee, the content of motions, the content of the recommendations or objections of the members of the Corporate Sustainability and Nominating Committee, the result of the resolution of the Corporate Sustainability and Nominating Committee, and the Company's handling of the opinion of the Corporate Sustainability and Nominating Committee.

Date	Content of the motion and follow-up measures	Resolution
1 <sup>st</sup> Meeting of the 2 <sup>nd</sup> Session 2021.2.3	Matters for Discussion: The planning and implementation of corporate sustainability development.	The proposals were unanimously adopted by all committee members.
2 <sup>nd</sup> Meeting of the 2 <sup>nd</sup> Session 2021.4.28	Announcements: ESG planning and implementation status report.	-
3 <sup>rd</sup> Meeting of the 2 <sup>nd</sup> Session 2021.7.28	Announcements: Participation in ESG evaluation planning report.	-
4 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Session 2021.10.27	Matters for Discussion: Setting the goals and targets for the Company's climate change management strategies.	The proposals were unanimously adopted by all committee members.

F. Implemented sustainable development promotion and the deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof

Assessment 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 establish a governance structure to promote sustainable development, and set up a designated full-time (or part-time) unit to promote Sustainable Development, and the Board of Directors authorizes senior management to handle this and the Board of Directors supervises the situation?	✓		The Company has established the Corporate Sustainability and Nominating Committee, which is the highest level of decision center for sustainable development within the Company. The Chairman of the Board of Directors is the convener, and together with a number of independent Directors from different fields, will review the Company's core operating capabilities and formulate a medium- and long-term sustainable development plan. Under the Committee, there are functional groups such as “Sustainable Operation Group, Sustainable Supply Chain Group, Corporate Care Group, and Corporate Governance Group”, which promote and implement sustainable development in accordance with their respective fields and responsibilities, and shall implement environmental, social, supply chain management, integrity management, risk management, information security and other related operations. They shall also guide the Company's sustainable development and achieve short-, medium- and long-term goals, and regularly report to the Board of Directors on the implementation plans and results each year.	None						
2. Does the Company follow the principle of materiality, conduct risk assessments on environmental, social and corporate governance issues related to company operations, and formulate relevant risk management policies or strategies?	✓		<div>1.This disclosure covers the performance of the Company's sustainable development from January to December 2021, and the risk assessment scope is based on the Company.</div> <div>2.The Sustainability Committee integrates the assessment information from various departments and formulates risk management measures for ESG issues of significance to reduce the impact of related risks.</div> <div>3.Based on the assessed risks, the following management policies are formulated:</div> <table><tr><th>Major issue</th><th>Risk evaluation item</th><th>Illustration</th></tr><tr><td>Environmental</td><td>Environmental impact and management</td><td>1.The Company effectively reduces pollution emissions and impact on the environment through the implementation of process safety management and a systematized management cycle.</td></tr></table>	Major issue	Risk evaluation item	Illustration	Environmental	Environmental impact and management	1.The Company effectively reduces pollution emissions and impact on the environment through the implementation of process safety management and a systematized management cycle.	None
Major issue	Risk evaluation item	Illustration								
Environmental	Environmental impact and management	1.The Company effectively reduces pollution emissions and impact on the environment through the implementation of process safety management and a systematized management cycle.								

Assessment Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
				<div>2.The Company takes the United States and mainland China as its main markets, and its product production environment complies with the ISO14001 environmental management system verification and continues to obtain certification on a regular basis.</div> <div>3.The TCFD framework was used to construct the Company's climate risk identification process. Interdepartmental discussion of climate risks and opportunities.</div> <div>4.According to the Greenhouse Gas Inventory Operation Procedures, greenhouse gas emissions are regularly checked and the impact on the company's operations are examined. According to the results of the carbon inventory, we will continue to promote the energy-saving control plan and regularly review and track to improve the energy-saving performance.</div> <div>5.The factory roof was subleased in 2020 to provide for green power manufacturers in setting up solar photovoltaic systems. We conducted feasibility assessment and power generation capacity planning for the construction of solar panels, and used</div>

Assessment Item	Implementation Status				Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons		
	Yes	No	Summary				
					<p>solar equipment to convert solar energy to provide green power for electricity. It is expected to be converted to power supply in 2022.</p> <p>6. Annual internal audit plan is carried out to ensure the Company's compliance with the relevant environmental laws and regulations and to audit the compliance of each operation process.</p>		
				Social	Occupational safety		<p>1. In 2021, the Company will complete ISO 45001 Occupational Safety and Health Management System verification.</p> <p>2. Regular fire drills and industrial safety education and training are held every year to cultivate employees' ability to respond to emergencies and self-safety management.</p>
					Product safety		<p>1. The Company abides by the various decrees of government regulations and complies with EU RoHS regulations. To simultaneously ensure the quality of customer service, we set up a customer service mailbox and actively conduct customer service satisfaction surveys on a regular basis every year to strengthen the cooperative relationship with customers.</p> <p>2. In order to transfer the risk of product transportation liability and reduce</p>

Assessment Item	Implementation Status					Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons	
	Yes	No	Summary				
					property losses, the Company has taken out cargo transportation insurance.		
				Company governance	Socioeconomic and legal compliance		1.Through the establishment of a governance system and the implementation of internal control management, we ensure that all personnel and operations of the Company truly comply with relevant laws and regulations. 2.Patent law applications have been made for the Company's research and development products to protect the Company's rights and interests.
					Strengthening the functions of directors		1.Plan relevant refresher courses for directors every year, and provide directors with the latest regulations, system developments, and policies every year. 2.Take out liability insurance for directors to protect them against lawsuits or claims.
					Stakeholder communication		1.The Company will discuss important issues of concern to key stakeholders every year and formulate implementation plans. 2.The Company establish various communication channels, improve the transparency of information disclosure, and actively communicate to reduce

Assessment Item	Implementation Status					Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary			
					misunderstandings. Set up an investor mailbox with a spokesperson who is responsible for handling and response.	
3. Environmental Issues (1) Has the Company established an appropriate environmental management system based on its industry characteristics?	✓		In addition to complying with the environmental regulations of the competent authorities, the Company’s environmental management system has established and passed the ISO 14001 Environmental Management System certification. The Company conducts annual greenhouse gas inventory to track the effectiveness of emission reduction and disclose it publicly in the CSR report. Information can be accessed from “CSR/Report Download” on the Company’s official website ( <a href="http://www.lmoc.com.tw/">http://www.lmoc.com.tw/</a> ).			None
(2) Has the Company committed itself to improving energy efficiency and to using recycled materials with low impact on the environment?	✓		<p>The Company actively promotes various energy reduction measures, selects equipment with high energy efficiency and energy-saving design, reduces the energy consumption of enterprises and products, and expands the use of renewable energy to optimize energy efficiency.</p> <p>Electricity saved this year was 655,158 kWh (accounting for 3.31% of the total electricity consumption in the current year). In 2020, the roof of the factory has been sub-leased to provide green power manufacturers with solar photovoltaic systems. It is expected to be converted to power supply in 2022, to increase the efficiency of renewable energy use year by year.</p> <p>In order to meet the requirements of HSF environmental hazardous substances management and avoid environmental pollution and harm to human health, LandMark Optoelectronics established a hazardous substance management system in accordance with the IECQ QC080000 international standard. Complying with EU RoHS Directive, REACH Chemical Regulations, PFOS/PFOA Restriction Directive and customer specifications, the company requires raw material suppliers to provide EU RoHS, REACH-free test reports or declarations of no hazardous substances.</p> <p>In order to reduce the impact on the environment, the Company will improve the process in the future to increase productivity and reduce energy consumption, waste reduction, and emission reduction. It will promote the regeneration and reuse of waste and wastewater with the concept of recycling; and it will actively develop green processes and promote source reduction.</p>			None



Assessment Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons												
	Yes	No	Summary													
(3) Does the Company assess the potential risks and opportunities of climate change for the Company now and in the future, and has it taken relevant countermeasures?	✓		Through inter-departmental discussions on climate change goals and identification of short-, medium- and long-term climate risks and opportunities, the Company evaluates the potential operational impact of major climate risks and opportunities on the Company in accordance with existing internal management goals. Senior executives review climate change goals, risks and opportunities, and they review implementation status and discuss future plans and report to the Board of Directors. 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.	None												
(4) Does the Company count greenhouse gas emissions, water consumption and the volume of total waste in the past two years, and formulate policies for greenhouse gas reduction, water reduction, or other waste management?	✓		1.Greenhouse gas emissions in the last 2 years: <div style="text-align: right;">Unit: Metric tons of CO2e</div> <table border="1"><thead><tr><th>Year</th><th>Scope 1</th><th>Scope 2</th><th>Product output area emissions (kgCO2e/cm2)</th></tr></thead><tbody><tr><td>2020</td><td>279.52</td><td>10,376.48</td><td>4.28</td></tr><tr><td>2021</td><td>189.05</td><td>10,468.42</td><td>4.53</td></tr></tbody></table> <p>In 2021, the total greenhouse gas emissions of Scope 1 and Scope 2 were 10,657.47 metric tons of CO2e, and the emission per unit product was 4.53 kgCO2e /cm2. This arose mainly from Scope 2 electricity emissions, accounting for 98.23% of the prior emissions. This was followed by Scope 1 process use and fuel emissions used in official vehicles and firefighting facilities as they accounted for 1.77%. The increase in product output area emissions in FY2021 compared to FY2020 was mainly due to the increase in greenhouse gas emissions in FY2021 as a result of the increased use of machines in the Company's Plant 2. In order to implement carbon emissions reduction, the Company will prepare a “Carbon Neutral Plan” and submit it to the Board of Directors for approval and implementation.</p> 2.The Company pays attention to the issue of water resources energy saving and environmental protection. In terms of its water saving plan, available water resources will be more effective starting from the comprehensive implementation of water saving in daily life.	Year	Scope 1	Scope 2	Product output area emissions (kgCO2e/cm2)	2020	279.52	10,376.48	4.28	2021	189.05	10,468.42	4.53	None
Year	Scope 1	Scope 2	Product output area emissions (kgCO2e/cm2)													
2020	279.52	10,376.48	4.28													
2021	189.05	10,468.42	4.53													

Assessment Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																					
	Yes	No	Summary																						
			<p>Water consumption in the last 2 years:</p> <div><div>Unit: ton</div><table><tr><th>Year</th><th>Total water consumption</th><th>Product output area water consumption</th></tr><tr><td>2020</td><td>53,678</td><td>21.56</td></tr><tr><td>2021</td><td>51,037</td><td>21.71</td></tr></table></div> <p>The Company has invested in a number of water-saving improvement programs. These include scheduled shutdowns for the cleaning functions of sanitary equipment, the recovery of condensed water from the cooling coils of air conditioning units, and the addition of temperature controls to cooling water tower to reduce evaporation. Under the implementation of water resource utilization management and water-saving technology, about 14,957 tons of water were saved in 2021 for a water-saving ratio of about 29.31%.</p> <p>3.The Company has followed ISO14001 management procedures to set up a dedicated management unit, and has formulated its Waste Management Measures in adhering to the goal of waste reduction. It has established resource recycling controls, grasped waste trends, prevented environmental pollution, and fulfilled its social responsibilities.</p> <p>Waste output in the last 2 years:</p> <div><div>Unit: ton</div><table><tr><th>Year</th><th>Hazardous business waste</th><th>General business waste</th><th>Output of product output area output (kg/cm2)</th></tr><tr><td>2020</td><td>100.50</td><td>28.1</td><td>0.051</td></tr><tr><td>2021</td><td>79.50</td><td>30.34</td><td>0.046</td></tr></table></div> <p>“Waste reduction and improvement of the waste reuse rate” stands as the Company's waste management goal. Hazardous waste concentration: The plan is for a 10% reduction in 2025 compared to 2020, with a strategy of reducing the total amount of waste and recycling waste. This shall be done through source management measures such as process technology improvement and raw material reduction, to reduce waste output and achieve waste reduction.</p> <p>In 2021, the Company produced 109.84 tons of waste, a decrease of 15% compared to 2020; the product output area was 0.046 kg/cm2 in 2021, a decrease of 9.80% compared</p>	Year	Total water consumption	Product output area water consumption	2020	53,678	21.56	2021	51,037	21.71	Year	Hazardous business waste	General business waste	Output of product output area output (kg/cm2)	2020	100.50	28.1	0.051	2021	79.50	30.34	0.046	
Year	Total water consumption	Product output area water consumption																							
2020	53,678	21.56																							
2021	51,037	21.71																							
Year	Hazardous business waste	General business waste	Output of product output area output (kg/cm2)																						
2020	100.50	28.1	0.051																						
2021	79.50	30.34	0.046																						

Assessment Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons												
	Yes	No	Summary													
			to 2020. The technology of the treatment plant is feasible at present, and the waste produced by the Company can be recycled and reused. This includes waste chemical bottles, waste organic solvents, and waste hydrofluoric acid. Total weight in 2021 was 13.37 metric tons, and the technically feasible resource utilization ratio is 56.92%.													
4. Social Issues (1)Has the Company established related policies and procedures in accordance with applicable legal rules and the International Convention on Human Rights?	✓		<div>In order to protect and promote human rights, the company supports the “United Nations Universal Declaration of Human Rights”, Principles 1 and 2 of the United Nations Global Compact, the United Nations “Guiding Principles on Business and Human Rights”, the ILO Declaration on Fundamental Principles and Rights at Work, and local laws and regulations. We follow the Responsible Business Alliance Code of Conduct to implement human rights protection and expect our suppliers and partners to meet the standards of this policy. The Company's Human Rights Management Program:</div> <table><tr><th>Counterparty</th><th>Management practices</th><th>Issues of Concern</th><th>Case proposal</th></tr><tr><td rowspan="3">Employees</td><td rowspan="3"><ul style="list-style-type: none"><li>Regular identification of labor and human rights regulations, assessment of the applicability and compliance of regulations, and ensuring that Company operations comply with laws and regulations</li><li>Regular labor and human rights risk assessments, identifying various risk</li></ul></td><td>Working hours</td><td>Establishment of a management mechanism for working hours</td></tr><tr><td>Forced labor</td><td>Every employee must sign an employment contract</td></tr><tr><td>Labor disputes</td><td>Provision of a complaint channel for colleagues to respond to issues such as human rights, labor, and sexual harassment. The human resources unit receives and oversees</td></tr></table>	Counterparty	Management practices	Issues of Concern	Case proposal	Employees	<ul style="list-style-type: none"><li>Regular identification of labor and human rights regulations, assessment of the applicability and compliance of regulations, and ensuring that Company operations comply with laws and regulations</li><li>Regular labor and human rights risk assessments, identifying various risk</li></ul>	Working hours	Establishment of a management mechanism for working hours	Forced labor	Every employee must sign an employment contract	Labor disputes	Provision of a complaint channel for colleagues to respond to issues such as human rights, labor, and sexual harassment. The human resources unit receives and oversees	None
Counterparty	Management practices	Issues of Concern	Case proposal													
Employees	<ul style="list-style-type: none"><li>Regular identification of labor and human rights regulations, assessment of the applicability and compliance of regulations, and ensuring that Company operations comply with laws and regulations</li><li>Regular labor and human rights risk assessments, identifying various risk</li></ul>	Working hours	Establishment of a management mechanism for working hours													
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Assessment Item	Implementation Status				Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons		
	Yes	No	Summary				
				impacts and proposing countermeasures		the competent and responsible unit for timely handling and proposing of an improvement plan	
			Suppliers	<ul style="list-style-type: none"><li>• Undertake annual inspection labor rights among key suppliers</li><li>• In accordance with RBA 6.0, conduct on-site audits for manufacturers' RBA Code of Conduct compliance if there are manpower agents and resident manufacturers</li></ul>	<ul style="list-style-type: none"><li>1.Working hours</li><li>2.Night shift and overtime work for young workers</li><li>3.Employee feedback, participation, and complaints</li></ul>	In on-site audits of high-risk suppliers, if overtime, underage workers working night or overtime, and employee complaints are found, relevant improvement plans must be submitted	
			<p>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. At the same time, we also refer to the code of conduct set by the Responsible Business Alliance (RBA) as the standard for internal management, and conduct RBA education and training for the entire Company every year.</p> <p>The Company's Labor Policies</p> <ul style="list-style-type: none"><li>• No forced, debt bonded, indentured or involuntary labors shall be used.</li><li>• No child labor is allowed.</li><li>• Working hours and recess time shall be in compliance with the Labor Standards Act.</li><li>• Wages and benefits paid to employees shall be in compliance with all applicable laws and regulations.</li><li>• All employees shall be respected and fairly treated. There is to be no inhumane treatment including any harsh punishment, humiliation or abuse.</li></ul>				

Assessment 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>• 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> <li>• All actions are taken in compliance with applicable local labor laws, industry standards, customer specifications and international standards, and we proactively and continuously make improvements related to labor rights.</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?	✓		<p><u>Employee compensation</u> The Company guarantees 14 months of annual salary (12 months of fixed salary, 1 month of Spring Festival bonus, and half a month each of Dragon Boat Festival and Mid-Autumn Festival bonuses). Employee bonuses are distributed to all colleagues after considering their annual performance appraisals, doing so to motivate all colleagues to work together for the Company's goals. Employee bonuses are calculated according to the Company's Articles of association, calculated at not less than 8% of the Company's profit for the year.</p> <p><u>Employees' welfare</u> The Company has set up an employee welfare committee to plan and provide for various high-quality benefits for colleagues, such as: the three festival gifts (Labor Day, Dragon Boat Festival, and Mid-Autumn Festival), birthday gifts, annual travel subsidies, marriage subsidies, maternity subsidies, funeral subsidies, injury and illness subsidies, end of year party door prizes, and so on. In addition, in order to enhance the emotional and physical and mental health of colleagues, to encourage legitimate entertainment and leisure activities, and to establish and participate in associations, we have formulated the Welfare Committee Association Management Measures. Each association can accumulate points according to the annual implementation status and apply for association subsidies of a relative amount.</p> <p>As for the vacation system, the number of special vacation days for the year is given to colleagues in advance. Colleagues can also apply for leave without pay when they need a longer period of vacation due to childcare needs, serious injuries, major accidents, and so on to meet the needs of personal and family</p>	None

Assessment Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
			<p>care.</p> <p><u>Various internal reward proposals:</u></p> <p>The Company actively encourages employees to actively pursue sustainable growth. The current incentive programs include: operational performance bonus, special incentive bonus, talent recommendation bonus, proposal bonus, and R&amp;D bonus.</p>	
(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?	✓		<p><u>Occupational safety and health policies</u></p> <p>In accordance with the Occupational Safety and Health Act, our Company has formulated the Management Measures for the Prevention of Ergonomic Hazards. Heavy objects need to be carried during equipment maintenance operations, which may cause muscle strain, soreness and other symptoms due to repetitive labor or poor posture. Cooperate with the resident physician to interview colleagues and survey the operational status together; work with colleagues to formulate ergonomic engineering improvements and production of auxiliary equipment and fixtures; reduce the workload of colleagues when working; reduce ergonomic hazards that may be caused by handling heavy objects; and ensure the health and safety of colleagues. Occupational Safety and Health Committee meetings are held on a quarterly basis, during which various indicators of occupational safety and health and the implementation work related to occupational safety and health are regularly reported, for the sake of discussion and improving planning on potential safety issues and safety proposals reported by colleagues to prevent accidents in advance and ensure a safe working environment. In 2021, there were 0 occupational accidents in the Company and the frequency of disability injuries was 0.</p> <p><u>Monitoring of labor work environment</u></p> <p>In order to protect workers from harmful substances in the workplace and provide workers with a healthy and comfortable working environment, we regularly entrust qualified inspection agencies to carry out work environment measurement every six months, gradually understanding the actual state of employee exposure.</p> <p><u>Industrial safety inspection</u></p> <p>The Company has an annual industrial safety inspection work plan. Work and safety colleagues will compile the records of the suggested improvement matters and the specific improvement situation. Furthermore, the Safety Committee meets every quarter to review deficiencies.</p> <p>Work safety inspections: Regular monthly industrial safety inspections and audits, audits of</p>	None

Assessment Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
			<p>contractors based on actual construction conditions, two internal ISO 45001 audits and one external audit every year.</p> <p><u>Equipment security management</u></p> <p>The Company classifies equipment, and lists and manages hazardous machinery and equipment according to law. In addition, regular inspections are carried out in accordance with the Regulations for Safety Inspection of Hazardous Machines and Equipment to ensure the safety of the equipment.</p> <p><u>Company verification status</u></p> <p>The Company obtained ISO 45001 Occupational Safety and Health Management System certification in 2021.</p>	
(4)Has the Company provided effective training in career planning for employees?	✓		<p>The Company has planned complete competency training for supervisors and employees at all levels, including orientation training, professional advancement training, and management training, etc. We assist employees in continuous learning and growth through diversified learning methods, and introduce training courses related to the development of corporate ethics to cultivate key abilities of employees.</p> <p>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. The total number of training hours in 2021 was 3,271 and the number of participants was 376.</p> <p>During the annual performance interview, the supervisor and the employee discuss and set up the personal annual ability development plan. Through regular review and feedback, this help employees to tailor an optimal development plan.</p>	None
(5)Has the Company provided effective training in career planning for employees?	✓		<p>The Company does not have customers who are end-consumers, but we have adequate communication channels and effective customer complaint handling procedures with our customers. The Company has formulated confidentiality-related policies in its Procedures for Ethical Management and Guidelines for Conduct, and strictly abides by the relevant operating regulations of intellectual property. It requires employees not to disclose the Company's business secrets, trademarks, patents, works and other intellectual property to other unrelated parties. It is also forbidden for employees to inquire or collect non-job-related trade secrets, trademarks, patents, works, and other intellectual property. In order to protect the confidentiality and integrity of customer data, we continue to strengthen our</p>	None

Assessment Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
			system and data security, including the establishment of a complete anti-virus system, file encryption system and mechanism, and strict permission control of customer data and files. The Company passes ISO 9001 Quality Management System certification every year, and it has a quality policy to ensure the effective implementation of the quality management system to improve product quality and yield, thereby achieving quality and hazardous substance reduction (HSF) policies and goals to meet customer needs.	
(6)Has the Company formulated supplier management policies, where suppliers are required to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor and their implementation?	✓		<p>The Company evaluates its suppliers based on the Supplier Management Procedures. Only those who pass the assessment review can become partners. In addition, they cooperate with the Company to formulate RBA specifications, and we successively required major suppliers to sign the Supplier Social Responsibility Commitment Letter of Landmark Optoelectronics Corporation. Working together to enhance corporate social responsibility, suppliers dealing with the Company are also required to abide by the relevant norms of the Contractor Safety and Health Management Measures and the Suppliers' Corporate Social Responsibility Code of Conduct formulated by the Company.</p> <p>• <u>Supplier appraisal</u></p> <p>In order to effectively grasp the stable quality, delivery times, and prices of suppliers, the Company regularly conducts supplier appraisals for anomalous number assessments (return rates), delivery times, and service; and according to the evaluation results, the level of follow-up contacts with suppliers will be determined. In the daily evaluation of important suppliers in 2021, the achievement rate was 100%. In the future, we will continue to improve the supply chain management system and work with suppliers to fulfill corporate social responsibilities through audits, evaluations, and other measures.</p> <p>• <u>Supplier Social Responsibility Commitment</u></p> <p>Formulate a code of conduct for suppliers' corporate social responsibility, and standardize the code of conduct that major suppliers must abide by with regard to corporate social responsibility. At present, 13 major suppliers have signed and returned the Supplier Social Responsibility Commitment. In the future, we will continue to maintain communication with suppliers and deliver corporate social responsibility messages.</p> <p>• <u>Supplier Declaration of Hazardous Substances Free</u></p> <p>Important suppliers and packaging material suppliers should re-sign the Supplier Declaration of Hazardous Substances Free form every year. Every year, a statement is</p>	None



Assessment Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
			made based on the hazardous substance management needs put forward by customers. Furthermore, suppliers are required to sign a Declaration of Hazardous Substances Free form and attach a third-party test report every year. At present, a total of 22 important suppliers and packaging material suppliers have signed the Declaration of Hazardous Substances Free form and the achievement rate is 100%.	
5. Does the Company refer to the internationally-prepared reporting standards or guidelines, preparation of sustainability reports and other reports that disclose the Company's non-financial information? Is the above-mentioned report assured or certified by a third-party inspector?	✓		The Company issued the 2020 Corporate Social Responsibility report which is compiled in the format of the GRI Standards publicized by the Global Reporting Initiative, and has not yet obtained external certification. In the future, the Corporate Social Responsibility report will be assessed in a timely manner to obtain the assurance or assurance opinion of a third-party verification unit.	None
6. If the Company has its own sustainable development code in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe the differences between its operation and the Principles: The Company has established its Sustainable Development Best Practice Principles and is fully aware that a business plays the part of a social citizen and has its own social responsibilities that must be fulfilled. Therefore, related issues of corporate social responsibility have been long given substantial consideration, no matter whether in the design of the company's systems or in the orientation of its operational strategies. For example, there are active and concrete implementation efforts being made for all aspects of carrying out and promoting corporate governance, developing a sustainable environment, maintaining social welfare, and disclosing corporate social responsibility. Furthermore, it takes a positive view of human nature as its starting point along with subtle methods of promotion. With the goal of integrating corporate culture, the entire Company's corporate social responsibility operations are handled in accordance with the relevant principles of the the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and there are no major differences.				
7. Other important information helpful to understand the implementation of the promotion of sustainable development: (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. (2) The waste generated in the manufacturing procedure is transported and treated by qualified institutes according to the environmental protection regulations. (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. (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. (5) The Company has control over temperature to make effective energy to reduce carbon emission.				

Assessment Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
<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 and provide them with reasonable benefits. Furthermore, the Company obtained certification in 2021 as a Five Hearts Workplace Certification Unit and Sports Enterprise Certification Unit as well as a Workplace Equal Rights Award.</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 6-year-old children are entitled to receive NT\$3,000 of childcare allowance for each 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 a “LandMark ♥ Sharing” activity and donate goods the Institution require to help the residents having a better quality of life.</p> <p>(13) The Company passed the ISO 45001 Occupational Safety and Health Management System in 2021, specifying various operating procedures and methods and continuing to implement and establish an effective occupational health and safety management system.</p> <p>(14) 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>				

G. 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 22, 2021, 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. No whistleblower letters or notices were received in 2021. 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 (Email: <a href="mailto:appeal@lmoc.com.tw">appeal@lmoc.com.tw</a> ) regarding illegal and unethical conducts.	
(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 or CPAs on a regular basis?	✓		The Company has established and implemented the internal control system. The internal audit staff would review the risk evaluation result annually, strengthen the preventive measure accordingly, review whether the audit system is appropriately followed regularly, and report such conditions to	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			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 2021, a total of 320 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.				

H. 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).

I. 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/>).



## J. Implementation of internal control system

### 1. Statement of Internal Control

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

Date: January 26, 2022

LandMark Optoelectronics Corporation had inspected the 2021 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, 2021 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 January 26, 2022. 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.

- K. In the most recent year and as of the date of publication of the annual report, whether the company and its internal personnel have been disciplined according to law, or whether the company has disciplined its internal personnel for violating the provisions of the Internal Control System. The content of the disciplinary measures should be listed, as well as the main deficiencies and improvements: None.
- L. In the most recent year and as of the printing date of the annual report, important resolutions of the shareholders meeting and Board of Directors:

1. Shareholders' meeting

Date	Important resolutions	Status
Shareholders' meeting on July 28, 2021	Proposed Resolutions 1. 2020 business report and financial statement.  2. 2020 Earnings Distribution.	1. The Company has reported and revealed relevant content on the Company's website. 2. The Company has designated August 22, 2021 as the date of cash dividend. Cash dividend was distributed on September 3, 2021 (the cash dividend per share is NT\$ 5)
	Matters for Discussion 1. Discussion of amendments to the Company's "Procedures for Election of Directors".	1. Operation in accordance with the amended procedures.

2. Board of Directors' meeting

The Company held a total of 7 Board of Directors meetings in 2021 and through the date of publication of the annual report. Important resolutions of the meetings are excerpted as follows:

Date	Major resolutions
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 Annual General Meeting.
April 28, 2021 The 7th meeting of the 10th session	1. Approved new bank financing line and renewal of a credit line. 2. Approved purchase of additional production equipment.
June 28, 2021 The 8th meeting of the 10th session	1. Approved proposal to change the date of the Company's 2021 Annual General Meeting.
July 28, 2021 The 9th meeting of the 10th session	1. Approved the Company's Q2 2021 Financial Statements. 2. Approved matters related to the determination of the record date for the Company's earnings distribution. 3. Approved allocation of remuneration for the Company's directors for 2020. 4. Approved the Company's annual manager salary adjustment plan. 5. Approved the Company's executive officer employee compensation plan for 2020. 6. Approved to apply to the bank to renew the line of credit.
October 27, 2021 The 10th meeting of the 10th session	1. Approved Company's Q3 2021 Financial Statements. 2. Approved amendment of the Company's Articles of Incorporation.

Date	Major resolutions
December 22, 2021 The 11th meeting of the 10th session	<ol style="list-style-type: none"> <li>1. Approved the Company's 2022 audit plan.</li> <li>2. Approved to apply to the bank to renew the line of credit.</li> <li>3. Approved appointment of a Corporate Governance Officer.</li> </ol>
January 26, 2022 The 12th meeting of the 10th session	<ol style="list-style-type: none"> <li>1. Approved the Company's 2022 annual operating plan and budget.</li> <li>2. Approved the Company's compensation plan for directors and employees for 2021.</li> <li>3. Approved the Company's 2021 annual financial statements and business report.</li> <li>4. Approved the Company's 2021 earnings distribution proposal.</li> <li>5. Approved the Company's planned payment of cash from additional paid-in capital.</li> <li>6. Approved proposal of the Company's 2021 Statement of Internal Control System.</li> <li>7. Approved amendment of the Company's Corporate Governance Best Practice Principles and Corporate Social Responsibility Best Practice Principles.</li> <li>8. Approved amendment of the Company's Articles of Incorporation.</li> <li>9. Approved the Company's issuance of restricted employee shares.</li> <li>10. Approved proposal for convening the Company's 2022 Annual General Meeting.</li> </ol>

- M. 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.
- N. Summary of resignation or relief from office of the Chairman, President, Chief Accountant, Chief Financial Officer, Chief Internal Auditor, Chief of Corporate Governance, and Chief R&D Officer of the Company in the most recent year to the day this report was printed:

March 31, 2022

Title	Name	Date assumed office	Date dismissed from office	Reasons for resignation or dismissal
Chief R&D Officer	Komatsu Keiro	2014.11.13	2021.12.09	Deceased

v. Audit Fees for CPA

A. Audit fees and non-audit fees paid to the CPAs and their affiliated firms and affiliated enterprises, and the content of non-audit services that should be disclosed:

Units: NT\$ thousands

Title of CPA Agency	Name of CPA	Audit Period	Audit fee	Non-Audit fee	Total	Remark
KPMG Taiwan	Yen-Da Su	2021.1.1~2021.12.31	1,410	190	1,600	-
	Chen-Lung Hsu	2021.1.1~2021.12.31				

(1) Audit fees refer to the fees paid by the Company to the CPAs for the audit, review and verification of the Company's financial reports and the review of financial projections.

(2) Non-audit fees: Fees for tax visas, cancellation of new shares with restricted employee rights and change of registration, and full-time employee salary information checks for non-executive positions.

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	Mr. Yen-Da Su, Mr. 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	2021		2022 (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	Huasheng International Investment, Co. Ltd.	-	-	-	-
	Representative: Ching-Yi Chang	61,000	-	20,000	-
Vice Chairman who is concurrently the CTO	Wei Lin	14,000	-	-	-
Director, who is concurrently the CFO and Deputy General Manager	Jerry Yang	1,000	-	-	-
Director	Yong Hong Lu	-	-	-	-
Independent Director	Bob Tseng	-	-	-	-
Independent Director	James Wang	-	-	-	-
Independent Director	Yong Chang Chen	-	-	-	-
General Manager	Roger Lo	7,000	-	-	-
Deputy General Manager	Komatsu Keiro(Note1)	-	-	-	-
Deputy General Manager	Richard Bai	2,000	-	-	-
Assistant Manager	Shi-Ming Zhuang	8,500	-	-	-
Assistant Manager	Han-Ti Hsiao	2,000	-	-	-
Corporate Governance Officer	Belinda Wu(Note2)	-	-	-	-

Note1: Keiro Komatsu passed away in December 2021.

Note2: Belinda Wu was appointed as the Corporate Governance Officer of the Company in December 2021.

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 27, 2022

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	
United Hermes Investment Company Emerging Markets Equity Fund entrusted to HSBC	7,865,200	8.60							
Huasheng International Investment Co., Ltd. Representative: Zhi-Cheng Chang	7,299,640	7.99	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Calvert Emerging Market Equity Investment Fund entrusted to Standard Chartered Bank	4,284,900	4.69	-	-	-	-	-	-	
Cathy Life Insurance Co., Ltd. Representative: Tiao-Guei Huang	3,745,774	4.10	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Plenticom Asia Limited (BVI)	2,914,187	3.19	-	-	-	-	-	-	
Nan Shan Life Insurance Company, Ltd. Representative: Tang Chen	2,825,000	3.09	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Paula Capital Investment Fund entrusted to Taiwan Bank	2,808,000	3.07	-	-	-	-	-	-	
Wellington trust National association emerging market combo investment fund entrusted to HSBC	2,486,372	2.72	-	-	-	-	-	-	
TransGlobe Life Insurance Inc. Representative: Stiven Peng	2,262,000	2.48	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
John Hancock emerging market stock individual account entrusted to City Bank	2,223,000	2.43	-	-	-	-	-	-	

- 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 Shares

#### A. Capitalization

##### a. Issued shares

Year and Month	Issuing Price	Authorized Capital		Paid-in Capital		Remarks		
		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

Type of Shares	Authorized capital stock			Remarks
	Issued shares	Unissued shares	Total	
Common stock	91,369,177	58,630,823	150,000,000	Listed Company Par Value: NT\$ 10

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

#### B. Shareholder structure

March 27, 2022

Composition of Shareholders	Government Agencies	Financial Institutions	Other Corporate shareholders	Individuals	Foreign Institutions and overseas investors	Total
Number						
Number of Shareholders	-	19	41	9,221	177	9,458
Number of Shareholding (thousand shares)	-	10,079	9,014	25,524	46,752	91,369
Shareholding Percentage	-	11.03%	9.87%	27.93%	51.17%	100%

## C. Distribution of Stock shares

March 27, 2022

Shareholding Range	Number of Shareholders	Number of Shareholding	Shareholding Percentage
1 to 999	2,870	394,661	0.43%
1,000 to 5,000	5,693	9,830,555	10.76%
5,001 to 10,000	446	3,489,456	3.82%
10,001 to 15,000	137	1,709,054	1.87%
15,001 to 20,000	65	1,185,664	1.30%
20,001 to 30,000	76	1,930,069	2.11%
30,001 to 40,000	23	818,809	0.90%
40,001 to 50,000	17	779,886	0.85%
50,001 to 100,000	46	3,253,231	3.56%
100,001 to 200,000	31	4,679,219	5.12%
200,001 to 400,000	19	5,653,277	6.19%
400,001 to 600,000	11	5,012,447	5.49%
600,001 to 800,000	7	5,086,523	5.57%
800,001 to 1,000,000	3	2,862,243	3.13%
Over 1,000,001	14	44,684,083	48.90%
Total	9,458	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 Shareholders)

March 27, 2022

Name of Major Shareholders	Shares	Shareholding	Shareholding Percentage
United Hermes Investment Company Emerging Markets Equity Fund entrusted to HSBC		7,865,200	8.60%
Huasheng International Investment Co., Ltd.		7,299,640	7.99%
Calvert Emerging Market Equity Investment Fund entrusted to Standard Chartered Bank		4,284,900	4.69%
Cathy Life Insurance Co., Ltd.		3,745,774	4.10%
Plenticom Asia Limited (BVI)		2,914,187	3.19%
Nan Shan Life Insurance Company, Ltd.		2,825,000	3.09%
Paula Capital Investment Fund entrusted to Taiwan Bank		2,808,000	3.07%
Wellington trust National association emerging market combo investment fund entrusted to HSBC		2,486,372	2.72%
TransGlobe Life Insurance Inc.		2,262,000	2.48%
John Hancock Emerging Market stock individual account entrusted to City Bank		2,223,000	2.43%

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

Unit: NT Dollars

Item \ Year		2020	2021	In the current year up to March 31, 2022
Market price per share	Highest	330	325	217.5
	Lowest	202	175	177
	Average	274.49	253.12	196.24
Net value per share (Note 1)	Before distribution	47.60	46.76	—
	After distribution	47.60	(Note5)	—
EPS	Weighted average number of shares (thousand shares)	90,813	91,009	As of the publication date of this annual report, we have not obtained the audited financial statement information for the 2022 first quarter.
	Earnings per share	NT\$ 6.50	NT\$ 3.71	
Dividends per share	Cash dividends	NT\$ 5	(Note5)	
	Stock dividends	Earnings	(Note 5)	
		Capital surplus	—	
	Accumulated unpaid dividend	—	—	
Return analysis	Price-earnings Ratio (Note 2)	42.23	68.23	
	Price-dividend Ratio (Note 3)	54.90	(Note5)	
	Cash dividend yield(Note 4)	0.018%	(Note5)	

Note 1: Based on the number of shares outstanding at the end of the year and the distribution resolved by the Board of Directors or resolved by the annual shareholders' meeting of the following 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: As of March 31, 2022, distribution of 2021 earnings has not yet been approved by a resolution of shareholders meeting.

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 Board of Directors approved the proposed distribution of cash dividends to shareholders of NT\$ 3 per share on January 26, 2022. The Company also intends to use additional paid-in capital from income derived from the issuance of new shares at a premium for distribution of cash to shareholders of NT\$ 0.5 per share. Pending resolution of the 2022 Annual Shareholders' Meeting.

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 2022 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\$ 37,297 thousand) and remuneration for directors (NT\$ 4,662 thousand) corresponded with the amount adopted by the Board of Directors meeting on January 26, 2022.

(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 by the Company's Board of Directors on 2021 that NT\$ 70,947 thousand allocated for employee's cash remuneration, and NT\$ 7,883 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 on the shareholder's equity.

March 31, 2022

Types of Restriction on Employee Share Subscription	Employee Restricted Stock Awards for Year 2020
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

	<p>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 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	219,000 share															
The number of shares of Restriction on Employee Share Subscription which has not been lifted	219,000 share															
Ratio of the number of shares of Restriction on Employee Share Subscription which has not been cancelled in comparison to the outstanding shares (%)	0.24%(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, 2022.

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, 2022

	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	154	0.17%	77	44.70	3,442	0.085%	77	44.70	3,442	0.085%
	CTO	Wei Lin										
	GM	Roger Lo										
	CFO	Jerry Yang										
	Deputy General Manager	Richard Bai										
	Assistant Manager	Shi-Ming Zhuang										
	Assistant Manager	Han-Ti Hsiao										
	CGO	Belinda Wu										
Employee	Director	Zong-Yin Wu	112	0.12%	56	44.70	2,503	0.06%	56	44.70	2,503	0.06%
	Director	Yan-Wei Chen										
	Director	Ji Xiong Tsai										
	Director	Chia-Hung Dai										
	Manager	Yong-Sheng Wang										
	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, 2022).

vii. Status of New Shares Issuance in Connection with Mergers and Acquisitions:

In 2021 and as of the publication date of the annual report, there has been no completion of mergers or acquisitions or acquisition of shares of other companies to issue new shares in accordance with the Company Act and the Corporate Mergers & Acquisitions Act; nor has the Board of Directors approved the completion of mergers or acquisitions or the transfer of shares of other companies to issue new shares in accordance with the Company Act and the Corporate Mergers & Acquisitions Act.

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 Contents 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	2020		2021	
	Amount	Percentage	Amount	Percentage
Epi-wafers	2,287,832	99.08%	1,847,286	98.64%
Others	21,257	0.92%	25,417	1.36%
Total	2,309,089	100.00%	1,872,703	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: With the wavelength ranges from 1200nm to 1650nm, it is mainly used in optical communication and data transmission; recently, long wavelength lasers are also gradually used in consumer product sensor applications due to the advantages of safety to the human eye and low noise interference under sunlight.
- (b) PD epi-wafers: With the wavelength ranges from 650nm to 1600nm, it is mainly used in photo detector, APD-Avalanched detector, or Laser efficiency monitoring and detector for sensors for optical communication.
- (c) GaAs LD epi-wafers: With the wavelength ranges from 635nm to 1100nm, it is 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" multi-structured VCSEL Vertical Cavity Surface Emitting Laser epi-wafers
- (d) Short-wavelength High-power Laser (over 20W per unit) epi-wafers
- (e) High-power DFB Laser epi-wafers
- (f) High-sensitivity light detector (Single Photon Avalanche Diode, SPAD) epi-wafer for long wavelength applications
- (g) Single photon APD epi-wafer



## B. Industry Overview

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

The optical communication industry includes manufacturing of optical fiber components (optical fiber and optical cable), components (optoelectronic active components and optoelectronic passive components), and optical communication equipment. Optical communication conducts by transforming electrical signals like sound, images, or digital messages into optical signals by LD elements (transmitter), using the optical fiber as the media, and converting the optical signals back into electrical signals by PD receiver. Then, an adjustment would be made to reproduce the sound, image, or data delivered by the transmitter. Compared to traditional electrical signals, optical signals can provide higher transmitting speed as well as lower attenuation. Therefore, telecommunication facilities, base stations and data centers have shifted to optical communication from electrical cable transmission, which promotes the innovation of the optical networks and optical communication techniques, while in the line with the increasing demand for relevant components and system markets.

With mobile communications entering the 5G era, global 5G technology and infrastructure development has been deployed in various countries, and the market predicts that in 2021~2025 will be the peak period for 5G base station construction. In addition to the fastest-growing China and South Korea markets, more countries shall enter the 5G construction period in 2021. According to China's 14th Five-Year Plan, China will have built more than 2.5 million 5G base stations by 2023, and 3.6 million by 2025, with a penetration rate of about 60% of 5G subscribers. In the wake of the establishment of 5G networks, the demand of optical transceivers for fronthaul, midhaul and backhaul transmission increases and even drives the construction and upgrade of data centers.

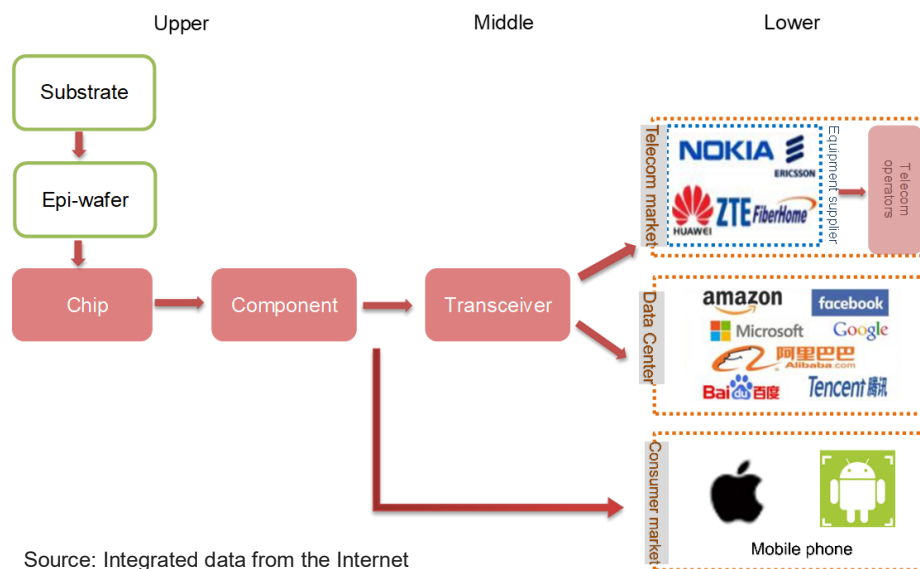
The demand for FTTx upgrading also increased because of the technological development of smart home, 4K Ultra HD video, IoT and etc. FTTx has been entering a new developing period in line with replacing copper wires with optical fibers gradually. The number of fixed broadband connections in recent years keeps growing. At the country level, China contained and added the largest number of subscribers with the highest growth rate in the FTTx developing areas. The 14th Five-Year Plan published by the Chinese government has noted that the government will ramp up fiber optic infrastructure and the communication and data projects in the new infrastructure plan, which will drive the fiber optic broadband upgrade to 10G PON. Moreover, the three major telecom operators in China have accelerated the deployment of 10G PON fiber optic networks since 2021, so as to extend to private homes.

In terms of cloud computing and data centers, investment in large data centers continues to increase in response to the huge amount of data storage and system services of global users. According to the latest report from market research firm Dell'Oro Group, data center spending by top cloud service providers is expected to increase by 30% in 2022. Since the optical modules are inevitable components of data centers, the increase number of data centers will directly lead to greater needs for optical transceivers and other related components.

b. Connection among the upper, middle, and downstream of the industry

The Company produces key components of the upstream 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.



Source: Integrated data from the Internet

### c. Product development trend

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 demands 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 base station transmission: 10Gbps FP, DFB LD and PIN optoelectronic epi-wafers
- (d) 5G base station 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. Cloud Computing

Over the past few years, with the active promotion of globally renowned companies such as Google, Facebook, Amazon, and Microsoft, cloud computing applications have gradually become popular in daily life and have driven the explosive growth in demand for communication bandwidth. It is expected 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 electrical signals transmission with the high-speed and low-loss optical communication system. This technological development trend will rapidly popularize optical transmission modules for cloud computing applications and will boost growth of the Company's related epitaxy chip sales. The optical modules in data centers evolve to the next generation every two to three years. From 2016 to 2018, 100G transceivers have been widely adopted at American hyperscale data centers. 2020 marks the transition period of

100G/ 400G transceivers; it is estimated that the 400G and 800G buildup phase will start from 2021 and last 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. Consumer and industrial laser diode application

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 proactively developing epi-wafer for consumer electronic products (high-power 850nm/905nm/940nm VCSEL and 1300nm band InP and PD), medical equipment (980nm LD), and material processing equipment (808nm/915nm LD). It also offers epi-wafer and technical support to middle and downstream 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 works with clients in developing new products with pre-manufacturing procedures of some components and epi regrowth techniques, which significantly shortens the process and supports 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 suppliers 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, we provided large companies in the U.S. and Japan such as Avago and II-VI with our completed epi-wafers 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 and Chinese 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 of 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.

#### 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 and photodetector epi-wafer for self-driving vehicles

- b. Expenses on research and development over the past 2 years until the printing date of the annual report:

Units: NT\$ thousands

Item	2020	2021	Jan to Mar, 2022
Research and development expenses	274,080	204,597	69,965
Operating Revenue	2,309,089	1,872,703	450,551
R&D expenses / Operating Revenue	11.87%	10.93%	15.53%

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

Year	Type of product	Item
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
2021	Laser epi-wafer	10G, 25G Ultra High Reliability DFB
	Photodetector epi-wafer	Non-Diffusive 25G APD, 50G PD

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

##### a. Short-term development plan

The network structure in China used to adopt 2.5Gbps GPON and 10Gbps GPON for the Internet system, and most of the GPON components and modules were supplied by the Company's clients. With greater demand for 5G networks since 2020, the related mass-produced and stable-supplied 10G/25G DFB epi-wafers have become one of the new growth engines for the Company. Meanwhile, in order to fulfill the needs of data centers, the Company has been working with the 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 modules in 2020, and expects to mass-produce the next generation of 800G transmission speed epi-wafers in the second half of 2022. In response to the large demand for Metaverse consumer applications, we are actively developing large size VCSEL epi-

wafers and long wavelength InP emitting and detecting epi-wafers. 6" VCSELs and 3"/4" InP are in mass production.

b. Long-term development plan

With the rapid development of emerging technologies such as mobile networks, cloud computing, social media, big data, Metaverse and the Internet of Things, the demand for big data transmissions is driving the growth of demand for high-bandwidth devices. Therefore, telecommunication companies around the world are actively upgrading their communications equipment and laying out the new generation of communication networks. At the same time, new consumer electronics products are constantly being rolled out to the market. Global network service providers are continuing to build large-scale data centers and demand for various laser products will continue to grow. Hence, the Company will continue to actively seek collaboration partners in various related fields to develop corresponding epitaxial wafer products and assist customers in the production of related laser optical modules to seize the business opportunities.

ii. Market and Sales Overview

A. Market Analysis

a. Sales regions of main products

Units: NT\$ thousands; %

Year Sale Region	2020		2021	
	Sales Amount	%	Sales Amount	%
Taiwan	461,432	19.98	167,208	8.93
China	1,348,587	58.40	1,204,198	64.30
U.S.	344,280	14.91	307,887	16.44
Other	154,790	6.71	193,410	10.33
Total	2,309,089	100.00	1,872,703	100.00

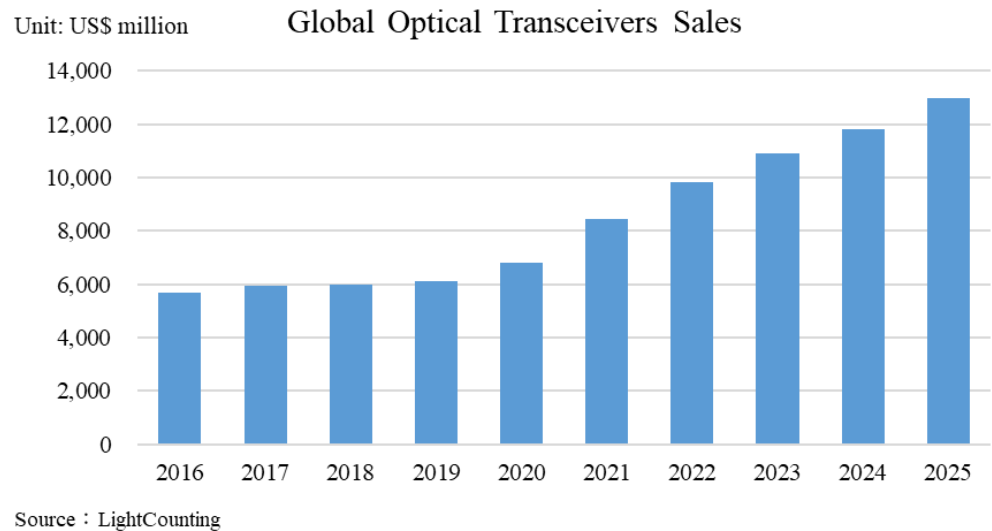
b. Market Share

The Company mainly manufactures epi-wafers needed for active components of optical communication. According to a report published by China Industry Foresight Industry Research Institute, the global optical communication devices market reached US\$19.1 billion in market value in 2021, and the Company sold US\$67 million of epi-wafer products in 2021, accounting for approximately 0.4% of the global optical communication components market value.

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 need twice more base stations compared to the 4G. The base stations operate the connectivity by optical fiber networks, which drive the demand growth of optical fibers and optical communication components. The Company offers the upstream key components of the optical transceiver module which is the critical element of the application such as the construction 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 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 the Molecular beam epitaxy (MBE) or the Metal Organic Chemical-Vapor Deposition (MOCVD) platform. 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). In addition, 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. Moreover, the Company has expanded 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 partnerships with many optical transceiver and module industry clients and assists the clients to introduce their components to equipment manufacturers of large communication and data centers. In addition to the innovation of the existing products, the Company also cooperates with its clients to develop components and optical modules with higher speed to fulfill the need of downstream equipment manufacturers. As of now, the Company maintains solid market position and possesses good client connection for sales of various laser and photodetector epi-wafers. The Company will aim 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 diode receiver, and members on the team used to work in the domestic and overseas leading organizations of optical communication techniques, such as AT&T in the U.S. and Chunghwa Telecom Laboratories. The professionals specialize in manufacturing procedure of optical communication components and epi-wafers, and they are able to offer comprehensive technical consultation and assistance for clients. The research team devotes to working and communicating with the experts, 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 cooperating 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 closely cooperate with the clients to offer high-speed and high-power component for application in consumer products so as to ensure both competitiveness in the market.

#### Disadvantage and responding measures

##### 1. The price of product may keep dropping

It is common that ASP of technological products would drop over time, and it is no exception for the market of optical communication. The downstream 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 the 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 innovating 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. Japan and China.

The major laser component manufacturers in the U.S. and Japan produce epi wafers mainly used in their own laser components and transceiver modules, of which some have been competing with the Company's downstream clients. Besides, U.S.-China trade war initiates the great concerns and protection of key components. Many Chinese corporations participate in developing and manufacturing optical components in recent years. The Company will continue to keep an eye on the impact that might incur.

Responding measures:

- (a) Recruit more technicians to increase the competitiveness of the products and offer instant service and product cost strength to expand customer bases.
- (b) Develop the higher transmitting speed and different material structure products to enlarge the application scopes.

3. Fluctuating demand

Recently, the China has become the largest optical communication market for suppliers of relevant components in Taiwan and China due to the rapid development of 5G construction. The procurement is usually conducted through the tendering procedure, therefore, the order from component suppliers may significantly up and down over different seasons or months, which result in fluctuation of the Company's operation.

Responding measures:

- (a) Expand the customer bases in Europe, the U.S., and Japan, and cooperate with our customers in the early stage of new product development and the development of epitaxial wafers for applications other than optical communication products, such as data center and consumer products. Through our cost competitiveness to increase the OEM production service of the epi-wafer for IDM manufacturers in the U.S. and Japan.
- (b) Strengthen the R&D of high-end products, especially the epi-wafer for high-speed laser components, cloud computing, and high-power laser through our technical competitiveness so as to ensure the growth momentum of the Company.
- (c) Develop new application markets, such as sensors for face recognition, LD for eye tracking and Lidar applications and sensors for biomedical applications, etc.

4. Customized products lower the efficiency from the economies of scale.

Most epi-wafers are customized products. With variety of product items and different requirements and specifications of each client, the Company is unable to reach the higher efficiency from the economies of scale.

Responding measures:

- (a) Continue establishing standard operating procedures, which allow production personnel to perform and conduct smooth production with different type and quantity orders.
- (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 reduced production cost.

## 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 Optoelectronics Corporation is an upstream supplier in the optical communication industry, and mainly manufactures the Laser Diode (LD) epi-wafer of the signal transmitter and the Photodetector (PD) epi-wafer of the receiver (PD epi-wafer). The Company supplies the products to midstream manufacturers to produce various chips, which can be supplied to the downstream manufacturers to produce optical transceivers.

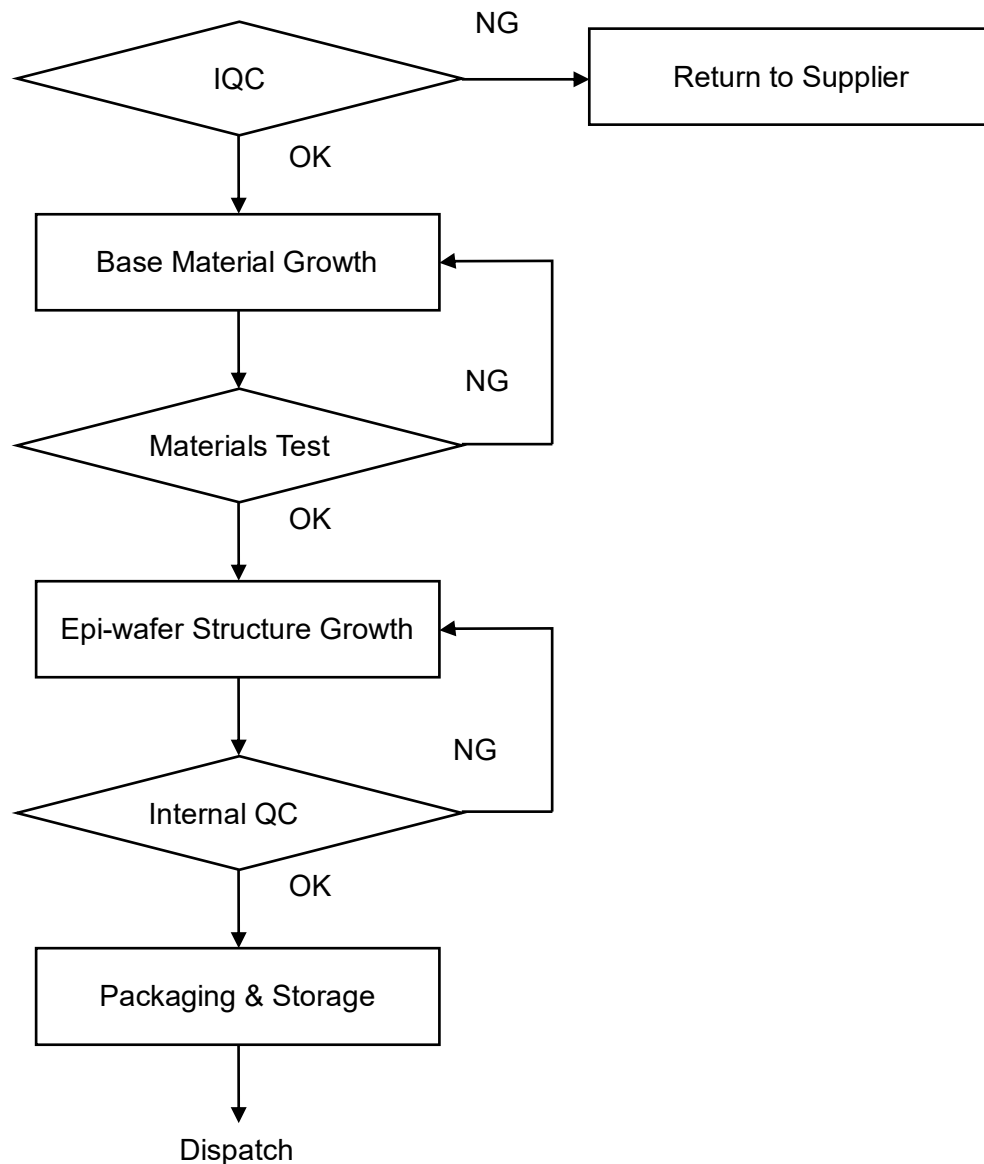
As high-speed bandwidth networks are becoming more and more prevalent, Landmark is actively cooperating with major international manufacturers to develop laser epi-wafers for data centers using 400Gbit/s and 800Gbit/s high-speed modules. In addition, the Company provides technical support and co-develop with the clients for a variety of application sectors, including 5G communication, consumer electronic devices, industrial cutting, medical items, the defense industry and LiDAR application, as 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 epi-wafer	FP laser	1310nm, 1550nm
	DFB laser	1270nm~1650nm
	Avalanche photo-detector	1250nm~1600nm
	Photo-detector	1250nm~1600nm
GaAs epi-wafer	Visible LD	635nm, 650~780nm
	Infrared LD : High Power(>10W)	808nm, 980nm
	VCSEL : RCLED	750nm, 850nm, 850~1100nm
	Photo-detector	<870nm
Processed InP epi-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 (TMAI, TMGa, TMIn) 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 A01, Company A02, Company A03 (Note)	Good
Mo-Source	Company A04, Company A05 (Note), AKZO	Good
Equipment consumables	Company A06, Company A07, Company A08 (Note)	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	2020				2021			
Item	Name	Amount	% of Total Purchase	Relation with issuer	Name	Amount	% of Total Purchase	Relation with issuer
1	A01 Company (Note )	329,834	62.93	None	A01 Company (Note )	227,624	54.93	None
2	A05 Company (Note )	69,573	13.27	None	A05 Company (Note )	66,692	16.09	None
3	A06 Company (Note )	27,251	5.20	None	A06 Company (Note )	46,975	11.34	None
4	Others	97,435	18.60	None	Others	73,110	17.64	None
	Total	524,093	100.00			414,401	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	2020				2021			
Item	Name	Amount	% of Total Sales	Relation with issuer	Name	Amount	% of Total Sales	Relation with issuer
1	Company C03 (Note)	609,169	26.38	None	Company C03 (Note)	466,298	24.90	None
2	Company C01 (Note)	373,440	16.17	None	Company C01 (Note)	272,345	14.54	None
3	Other	1,326,480	57.45	None	Other	1,134,060	60.56	None
		2,309,089	100.00			1,872,703	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 2021, the optical communication industry was deeply affected by the global COVID-19 pandemic, shortage of spare parts and the sluggishness of global logistics network, which resulted in the lower-than-expected demand for the Company's Telecom-related products in the second half of the year. As a result, sales to Company C03 and Company C01 declined in FY2021 compared to the previous year.

## E. Production in the last two years

Units: NT\$ thousands; pcs

Year Main Products	2020			2021		
	Production capacity	Yield	Value of output	Production capacity	Yield	Value of output
Epi-wafers	Note	64,100	1,349,036	Note	57,890	1,324,638

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	2020				2021			
	Domestic sales		Export		Domestic sales		Export	
	Number	Net sales	Number	Net sales	Number	Net sales	Number	Net sales
Epi-wafers	13,202	459,929	34,788	1,827,903	6,855	202,741	34,278	1,644,545
Other	0	1,503	0	19,754	0	1,724	0	23,693
Total	13,202	461,432	34,788	1,847,657	13,202	204,465	34,788	1,668,238

## iii. Human Resources

Unit: Persons; %

Year		2020	2021	As at March 31, 2022
Number of Employees	Direct Staff	244	238	251
	Indirect Staff	77	87	88
	Total	321	325	339
Average Age		37	37	37.49
Average Year of Service		5.11	5.11	5.32
Degree Distribution Ratio(%)	Ph.D.	3.74	3.38	3.33
	Masters	23.99	26.15	25.15
	College	64.17	62.46	62.12
	Senior High School	8.10	8.01	9.39
	Under Senior High School	-	-	-

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, 2022

Item	Title of certification and content
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: On July 6, 2021, the Company approved the business waste disposal plan with the approval of the Southern Taiwan Science Park Administration of the Ministry of Science and Technology (license number: Nanhuan Zi No. 1100019674). 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.
Attention to chemical substance approval documents	FAB1: On April 12, 2021, the Company obtained documents for registration of toxic chemical substances issued by the Tainan City Government. The license for nitrous oxide (laughing gas) (license number: Tainan City Guan He Zi No. 000024) is valid until April 11, 2026.

b. Pollution control fees to be paid and the payment

Units: NT\$ thousands

Categories Year	2020	2021
Air pollution control fee	12	12
User fee of the sewage system	365	346
Soil and groundwater pollution remediation fees	29	22

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

- (1) Designated person for air pollution control (with Class A technician license): Has been designated.
- (2) Designated person for waste water treatment: None.
- (3) Professional for toxic chemical substance treatment: Has been designated.

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

March 31, 2022 Units: NT\$ thousands

Name of equipment	Number	Date of obtaining	Acquisition Cost	Non-depreciation amount	Application and potential benefit
Sewage system	5	2012.07~2022.01	59,190	43,812	Treatment of wastewater from manufacturing procedure
Waste gas system	6	2012.07~2020.06	48,430	36,911	Treatment of waste gas from manufacturing procedure
Wet scrubber	14	2011.09~2021.05	59,986	16,472	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: Family Day, Mid-Autumn Dinner, and sports tournaments were suspended once due to the pandemic in 2021, and the Dream Project (donation of materials and sponsorship of smallholding farmers) was renewed with 106 participants in donations.

### (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 2021, there were 105 courses for professional development, which is 3,271 hours of training, and totally 1,729 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

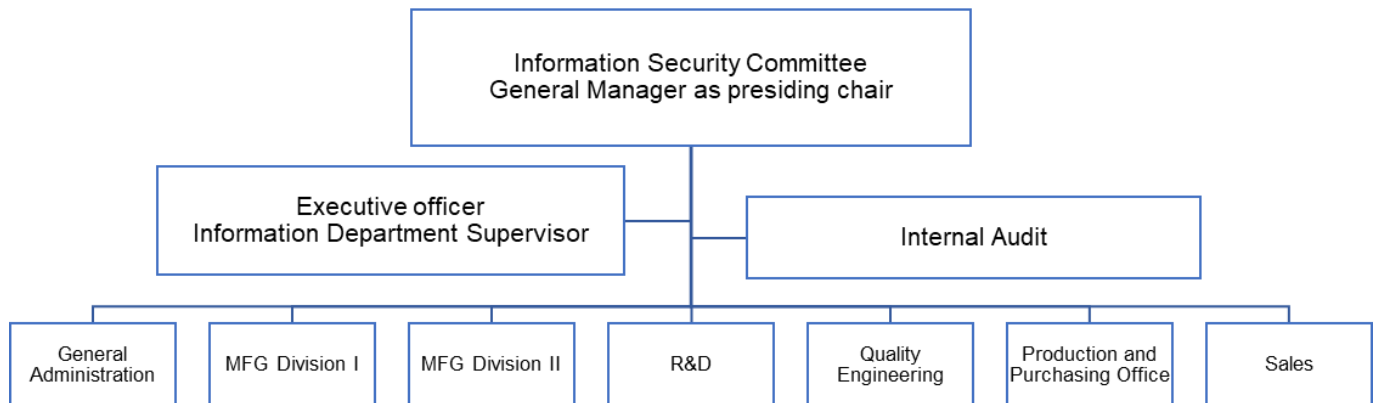
The Company emphasizes retaining employees with outstanding job performance for its continuous growth. It improves work environment in terms of employee adoption, professional growth, and career development as well as a competitive compensation package for its employees.

- 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. Information security management

- A. State the information security risk management framework, the information security policy, the specific management plan, resources invested in the security management of information, etc.:

In order to ensure the Company's information security management, the Information Security Committee was established in 2021 with the General Manager as the presiding chair; an inter-departmental team will be also established. The organizational chart is as follows:



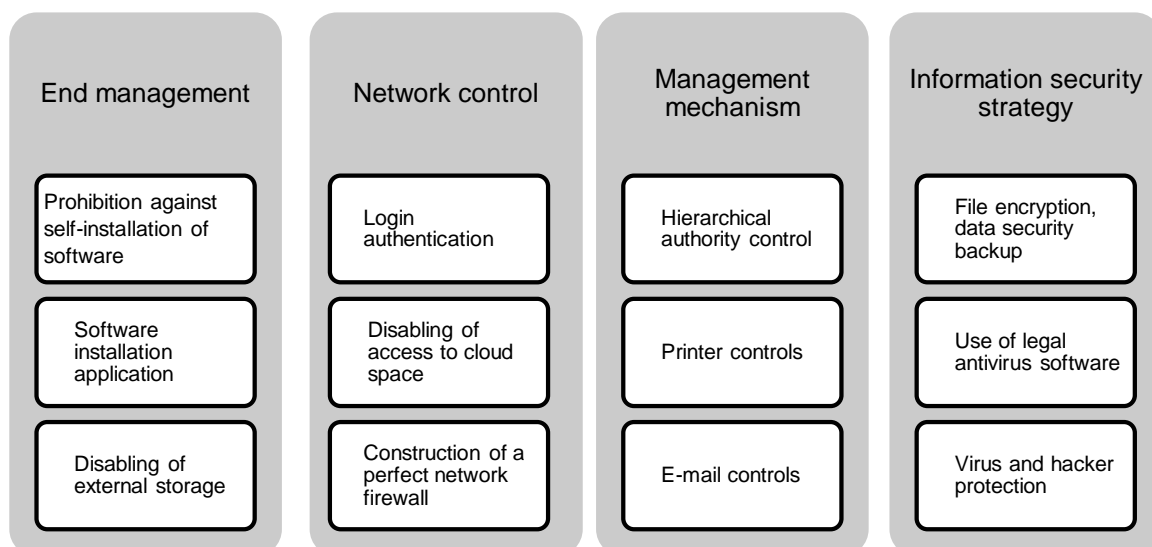
### Information Security Committee responsibilities

1. Review of information security policies and measures
2. Inspection and review of information security management system
3. Review of information security promotion plan
4. Assessment and agreement on information security infrastructure

### Information Security Policy

- Organize information security training and promotion to build employees' awareness of information security.
- Protect the Company's confidential information.
- Respect intellectual property rights and protect customer and company information.
- Protects against computer virus attacks.
- Ensure that all information security incidents or suspected security weaknesses are reported in accordance with the appropriate notification mechanism, and are properly investigated and addressed.
- Meet the requirements of relevant laws or regulations and to achieve the goal of business sustainability.

## Specific information security proposal



## Operations in 2021

1. The Company held an information security committee meeting in 2021 to explain the implementation of the Company's information security protection related operations in 2021; and the Board of Directors reported on the implementation of information security risk management on December 22, 2021.
2. The Company handles information security publicity and places the content of the publicity briefing in the internal staff system for reference by colleagues.

B. Losses suffered due to major information security incidents in the most recent year and as of the publication date of the annual report, possible impact, and response measures. If this cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated: None.

## vii. 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)				
		2017	2018	2019	2020	2021
Current Assets		2,714,723	2,824,414	1,984,233	2,407,728	2,380,923
Property, plant and equipment		1,111,531	1,560,680	2,474,242	2,386,879	2,122,813
Right-of-use assets		—	—	318,047	322,034	312,381
Intangible assets		13,602	12,197	11,238	10,840	5,992
Other assets		210,231	52,772	42,740	64,008	159,011
Total assets		4,050,087	4,450,063	4,830,500	5,191,489	4,981,120
Current liabilities	Before distribution	325,470	413,710	448,258	519,081	391,082
	After distribution	778,330	868,551	811,989	975,927	(Note2)
Non-current liabilities		3,421	3,429	315,771	323,306	317,749
Total liabilities	Before distribution	328,891	417,139	764,029	842,387	708,831
	After distribution	781,751	871,980	1,127,760	1,299,233	(Note2)
Equity attributable to the parent company		3,721,196	4,032,924	4,066,471	4,349,102	4,272,289
Capital stock		905,732	909,802	909,512	913,732	913,692
Capital surplus		1,655,253	1,743,269	1,743,559	1,844,833	1,844,873
Retained earnings	Before distribution	1,200,139	1,443,936	1,439,033	1,664,138	1,543,164
	After distribution	747,279	989,095	1,075,302	1,207,272	(Note2)
Other equities		(39,928)	(64,083)	(25,633)	(73,601)	(29,440)
Treasury stock		—	—	—	—	—
Non-controlling equity		—	—	—	—	—
Total equity	Before distribution	3,721,196	4,032,924	4,066,471	4,349,102	4,272,289
	After distribution	3,268,336	3,578,083	3,702,740	3,892,256	(Note2)

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

Note 2: The distribution of earnings in 2021 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)				
	2017	2018	2019	2020	2021
Operating revenue	2,038,618	2,362,205	2,136,270	2,309,089	1,872,703
Gross profit	1,103,037	1,275,861	1,027,307	1,164,478	768,457
Operating income	793,503	842,451	534,006	708,151	412,071
Non-operating income and expenses	(2,167)	37,371	4,615	5,484	5,914
Profit before income tax	791,336	879,822	538,621	713,635	417,985
Net profit of continuing department	791,336	879,822	538,621	713,635	417,985
Loss of discontinued department	—	—	—	—	—
Net profit	655,569	696,822	450,150	590,736	337,544
Other comprehensive income (after tax)	379	(165)	(212)	(1,900)	(1,672)
Total comprehensive income	655,948	696,657	449,938	588,836	335,872
Net profit (loss) attributable to parent company	655,569	696,822	450,150	590,736	337,544
Net profit (loss) attributable to non-controlling equity	—	—	—	—	—
Total comprehensive income attributable to parent company	655,948	696,657	449,938	588,836	335,872
Total comprehensive income attributable to non-controlling equity	—	—	—	—	—
EPS (NT\$)(Note 2)	7.27	7.71	4.97	6.50	3.71

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
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
2021	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)				
		2017	2018	2019	2020	2021
Financial structure %	Liabilities to total assets	8.12	9.37	15.82	16.23	14.23
	Long-term fund to property, plant and equipment	335.09	258.63	177.11	195.75	216.22
Insolvency %	Current ratio	834.09	682.70	442.65	463.84	608.80
	Quick ratio	763.50	620.67	397.75	421.23	531.03
	Times Interest Earned	—	—	—	—	—
Utility	Receivables turnover (time)	6.06	5.16	4.60	4.34	4.03
	Average number of days receivables outstanding	60	71	79	84	91
	Inventory turnover (time)	4.66	4.64	5.00	5.72	4.44
	Payables turnover (time)	11.02	15.55	15.00	11.34	11.05
	Average number of days of sales	78	79	73	64	82
	Property, plant and equipment turnover (time)	1.89	1.77	1.06	0.95	0.83
	Total assets turnover (time)	0.50	0.60	0.50	0.50	0.37
Profitability	ROA (%)	16.13	16.40	9.78	11.85	6.70
	ROE (%)	17.59	17.97	11.12	14.04	7.83
	Income before tax to paid-in capital (%)	87.37	96.70	59.22	78.10	45.75
	Profit margin (%)	32.16	29.50	21.07	25.58	18.02
	EPS (NT\$)	7.27	7.71	4.97	6.50	3.71
Cash flow	Cash flow ratio (%)	229.19	256.86	200.92	195.91	261.31
	Cash flow adequacy ratio (%)	112.14	108.45	89.85	92.11	88.59
	Cash flow reinvestment ratio (%)	0.45	11.43	7.77	10.10	8.23
Leverage	Operating leverage	1.36	1.42	1.74	1.66	2.20
	Financial leverage	1.00	1.00	1.01	1.01	1.01
<p>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%)</p> <ol style="list-style-type: none"> <li>1. Increase in current ratio and quick ratio: This is due to the increase in inventories in FY2021 and the decrease in current liabilities such as estimated employee compensation and income tax liabilities due to the decrease in profit in FY2021.</li> <li>2. Decrease in inventory turnover ratio: Due to the increase in ending inventory in 2021.</li> <li>3. Increase in average days' sales in inventory: Due to the increase in ending inventory in 2021.</li> <li>4. All profitability indicators decreased in comparison with the previous year: mainly due to the decrease in net profit after tax in 2021 compared with the previous year.</li> <li>5. Increase in cash flow ratio: due to the decrease in current liabilities such as estimated employee compensation payable and income tax liabilities as a result of the decrease in profit in FY2021.</li> <li>6. Increase in operating leverage: Due to the decrease in profit in FY2021.</li> </ol>						

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 =  $[\text{income after income tax} + \text{interest expense} \times (1 - \text{tax rate})] / \text{average total assets}$ .
- (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 2021 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 the Securities and Exchange Act and the Company Act, we hereby submit this report.

Chairman of the Audit Committee: *James Wang*

January 26, 2022

iv. Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report: Please refer to Appendix 1.

v. Parent Company Only Financial Statements for the Years Ended December 31, 2021 and 2020, 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 2021 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	2020	2021	Amount Variance	Ratio Variance (%)
Current Assets	2,407,728	2,380,923	(26,805)	(1.11)
Property, plant and equipment	2,386,879	2,122,813	(264,066)	(11.06)
Right-of-use assets	322,034	312,381	(9,653)	(3.00)
Intangible assets	10,840	5,992	(4,848)	(44.72)
Other assets	64,008	159,011	95,003	148.42
Total assets	5,191,489	4,981,120	(210,369)	(4.05)
Current liabilities	519,081	391,082	(127,999)	(24.66)
Non-current liabilities	323,306	317,749	(5,557)	(1.72)
Total liabilities	842,387	708,831	(133,556)	(15.85)
Capital stock	913,732	913,692	(40)	0.00
Capital surplus	1,844,833	1,844,873	40	0.00
Retained earnings	1,664,138	1,543,164	(120,974)	(7.27)
Other equities	(73,601)	(29,440)	44,161	(60.00)
Total shareholders' equity	4,349,102	4,272,289	(76,813)	(1.77)
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:				
(1) Increase in other assets: Attributable to the increase in prepaid equipment payments in 2021.				
(2) Decrease in current liabilities: Due to the decrease in profit in 2021, the estimated employee compensation payable and income tax liabilities decreased.				
(3) Decrease in other equity: Due to the amortization of the cost of stock-based compensation for restricted employee rights to payroll expense.				

## ii. Financial performance

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

Units: NT\$ thousands; %

Item \ Year	2020	2021	Amount Variance	Ratio Variance (%)
Operating revenue	2,309,089	1,872,703	(436,386)	(18.90)
Operating costs	1,144,611	1,104,246	(40,365)	(3.53)
Gross profit	1,164,478	768,457	(396,021)	(34.01)
Operating expenses	456,327	356,386	(99,941)	(21.90)
Operating income	708,151	412,071	(296,080)	(41.81)
Non-operating income and expenses	5,484	5,914	430	7.84
Profit before income tax	713,635	417,985	(295,650)	(41.43)
Income tax expenses	122,899	80,441	(42,458)	(34.55)
Net profit	590,736	337,544	(253,192)	(42.86)
Other comprehensive income (after tax)	(1,900)	(1,672)	288	(12.00)
Total comprehensive income	588,836	335,872	(252,964)	(42.96)
<p>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%)</p> <p>(1) Decrease in gross profit, operating income, net income before income tax, net income for the period, and consolidated profit or loss for the period: In 2021, the optical communications industry was affected by multiple factors such as the COVID-19 pandemic, shortage of spare parts and sluggish global transportation networks, resulting in lower than expected customer sales. Demand for the Company's products for telecom-related applications declined sharply in the second half of the year, resulting in lower revenue and profit in FY2021 compared to the previous year.</p> <p>(2) Decrease in operating expenses: This was due to the decrease in marketing expenses and research and development expenses.</p> <p>(3) Decrease in income tax expense: The decrease in income tax expense was due to the decrease in net profit before tax.</p>				

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

The Company has no publicly available financial forecasts. Internal targets are set based on the market environment for the industry, market supply and demand conditions and the Company's operating 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
1,546,680	1,021,950	(797,509)	1,771,121	—	—
(1) Operating activities: The cash inflow is NT\$ 1,021,950 thousand, which is mainly from sales transaction. (2) Investing activities: The cash outflow is NT\$ 332,583 thousand, which is mainly from procurement of production equipment. (3) Financing activities: The cash outflow is NT\$ 464,646 thousand, which is mainly from cash dividend payment. (4) The amount of effects of exchange rate changes on balance of cash held in foreign currencies is NT\$ 280 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
1,771,121	695,929	(585,011)	1,882,039	—	—
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 2022 is expected to be NT\$ 672,529 thousand. (2) Investing activities: The capital expenditure for procurement of property, plant and equipment in 2022 is expected to be NT\$ 265,218 thousand, which will result in cash outflow for investment in production facilities. (3) Financing activities: The cash outflow for cash dividend payment and cash distribution from capital surplus in 2022 is estimated to be NT\$ 319,793 thousand, which will result in cash outflow for financing 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	
			2021 (actual expenditure)	2022 (estimated expenditure)
Capital Expenditure of equipment purchase	Private capital	568,484	322,914	245,570

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 2021 was NT\$ 14,102 thousand, taking up 0.75% 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 is primarily engaged in research and development and manufacturing and sales, and does not engage in high-risk and high-leverage investments.

- (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's derivatives trading operations are limited to forward exchange transactions to hedge the U.S. dollar exchange rate. The Company follows the “Procedures for the Acquisition or Disposal of Assets” as a guideline for derivative trading. In the future, the Company will continue to engage in derivative trading based on the principle of prudence, and will focus only on hedging the exchange rate risk arising from its business.
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 10%~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. The impact of technological changes (including information security risks) and industrial changes on the Company's financial business and corresponding measures:

(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) Information security risk assessment: Please refer to pages 103~104 of this annual report for the Company's information security management policies and specific management plans. The Company regularly evaluates information security risks, implements information security education and training, and establishes an audit mechanism for the implementation of information security maintenance plans to strictly implement information security risk management. For the most recent year and as of the date of this annual report, the Company has not suffered any material damages due to a major information security incident that has affected its financial operations.

6. Effect on the Company's crisis management of changes in the Company's corporate image, and the measure to be taken in response:

Since the establishment of the Company, we have been committed to maintaining the image of the Company and actively strengthening the internal management of the Company. The Company keeps innovating its products and optimizing the service to cater to clients' needs. In addition, the Company has incorporated ESG into the core of its business operations, pursuing performance growth while taking into account the integrated development of all aspects of ESG.

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. In the event of future mergers and acquisitions, we will follow relevant laws and regulations and conduct various benefit assessments and risk controls in a prudent manner in order to maximize profitability and minimize risk to the Company's overall operations.

8. Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

The Company has no plans to expand its plants in the latest year or as of the date of publication of this annual report. The Company's future plant expansion plans will depend on industry trends, customer demand and market supply and demand, and other factors, and will adopt the most appropriate operating strategy to carry out capacity expansion plans or production adjustments. 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 has established favorable cooperative relationships with each raw material supplier. There are more than two suppliers for each product. Supply is in good condition, and there has been no interruption of supply that affects production. The Company's largest raw material supplier in 2021 accounted for approximately 54% of the net purchases. This is due to the fact that bulk purchases reduce costs and facilitate supplier management, and there are cases of centralized purchases. 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 customers accounted for 46% of the Company's revenue in FY2021, and the Company's sales to the top three customers were mainly epitaxy chips for optical communication applications. The Company established strong connection with the clients, which ensures stable amount of order and revenue.

The Company's sales have in the past been more concentrated in optical communication customers. In order to diversify the risk of over-concentration of sales, the Company has been actively developing different applications, such as data center and consumer product customer base, and has

successfully sold its products to well-known data center customers. In addition, products for consumer sensor devices are about to be launched, which is expected help diversify the dramatic revenue impact caused by changes in a single market segment.

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:

In the most recent year and as of the publication date of the annual report, no directors or substantial shareholders holding more than 10% of shares have transferred or replaced their shares in large quantities.

11. The impact and risk brought by changes in the Company's management right and mitigation measures being or to be taken:

There have been no changes in control over the Company in the most recent year and up to the date of publication of the annual report.

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, 2021 and 2020**

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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, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021 and 2020 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:

- Understood whether the valuation of inventory was performed in accordance with the Company's policy.
- Inspected the inventory aging report and analyzed the trends of inventory aging.
- 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 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)  
January 26, 2022

#### 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, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars)

		<b>December 31, 2021</b>		<b>December 31, 2020</b>				<b>December 31, 2021</b>		<b>December 31, 2020</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))	\$ 1,771,121	36	1,546,680	30	2130	Contract liabilities-current (note 6(n))	11,968	-	10,378	-
1150	Notes receivable, net (note 6(b))	21,899	-	-	-	2150	Notes payable	-	-	248	-
1170	Trade receivables, net (notes 6(b)(n))	274,737	6	630,445	12	2170	Trade payables	89,243	2	110,432	2
1310	Inventories(note 6(c))	289,465	6	208,036	4	2200	Other payables (note 6(i))	203,148	4	272,513	5
1410	Prepayments	14,706	-	13,190	-	2230	Current tax liabilities	78,174	2	116,695	3
1470	Other current assets	6,426	-	5,709	-	2280	Current lease liabilities (note 6(h))	7,363	-	7,799	-
1476	Other financial assets— current (note 8)	2,569	-	3,668	-	2300	Other current liabilities	1,186	-	1,016	-
		<u>2,380,923</u>	<u>48</u>	<u>2,407,728</u>	<u>46</u>			<u>391,082</u>	<u>8</u>	<u>519,081</u>	<u>10</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1600	Property, plant and equipment (notes 6(d) and 9)	2,122,813	43	2,386,879	46	2580	Non-current lease liabilities (note 6(h))	310,425	6	317,789	6
1755	Right-of-use assets (note 6(e))	312,381	6	322,034	7	2640	Net defined benefit liability— non-current(notes 6(i))	7,324	-	5,517	-
1780	Intangible assets (note 6(f))	5,992	-	10,840	-			<u>317,749</u>	<u>6</u>	<u>323,306</u>	<u>6</u>
1840	Deferred tax assets (note 6(j))	17,163	-	17,512	-		<b>Total liabilities</b>	<u>708,831</u>	<u>14</u>	<u>842,387</u>	<u>16</u>
1980	Other financial assets— non-current (note 8)	13,078	-	13,235	-		<b>Equity attributable to owners of the company (notes 6(j)(k)(l)):</b>				
1900	Other non-current assets (notes 6(g) and 9)	128,770	3	33,261	1	3110	Capital stock	913,692	18	913,732	18
		2,600,197	52	2,783,761	54	3200	Capital surplus	1,844,873	38	1,844,833	35
							Retained earnings:				
						3310	Legal reserve	581,480	12	522,596	10
						3350	Unappropriated earnings	961,684	19	1,141,542	22
								<u>1,543,164</u>	<u>31</u>	<u>1,664,138</u>	<u>32</u>
						3491	Deferred compensation cost arising from issuance of restricted stock	(29,440)	(1)	(73,601)	(1)
							<b>Total equity</b>	<u>4,272,289</u>	<u>86</u>	<u>4,349,102</u>	<u>84</u>
<b>Total assets</b>		<u>\$ 4,981,120</u>	<u>100</u>	<u>5,191,489</u>	<u>100</u>		<b>Total liabilities and equity</b>	<u>\$ 4,981,120</u>	<u>100</u>	<u>5,191,489</u>	<u>100</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, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		<b>2021</b>		<b>2020</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4100	<b>Operating revenue (note 6(n))</b>	1,872,703	100	2,309,089	100
5000	<b>Operating costs (notes 6(c)(h)(i)(l)(o), 7 and 12)</b>	<u>1,104,246</u>	<u>59</u>	<u>1,144,611</u>	<u>49</u>
5900	<b>Gross profit</b>	<u>768,457</u>	<u>41</u>	<u>1,164,478</u>	<u>51</u>
6000	<b>Operating expenses (notes 6(b)(h)(i)(l)(o), 7 and 12):</b>				
6100	Selling and marketing expenses	40,922	2	68,663	3
6200	General and administrative expenses	111,508	6	113,478	5
6300	Research and development expenses	204,597	11	274,080	12
6450	Impairment losses (Impairment gains and reversal of impairment losses) determined in accordance with IFRS 9	<u>(641)</u>	<u>-</u>	<u>106</u>	<u>-</u>
		<u>356,386</u>	<u>19</u>	<u>456,327</u>	<u>20</u>
6900	<b>Operating income</b>	<u>412,071</u>	<u>22</u>	<u>708,151</u>	<u>31</u>
7000	<b>Non-operating income and expenses (notes 6(h)(p)):</b>				
7100	Interest income	7,234	-	7,580	-
7020	Other gains and losses	2,879	-	1,969	-
7050	Finance costs	<u>(4,199)</u>	<u>-</u>	<u>(4,065)</u>	<u>-</u>
		<u>5,914</u>	<u>-</u>	<u>5,484</u>	<u>-</u>
7900	<b>Profit before income tax</b>	417,985	22	713,635	31
7950	<b>Less: income tax expenses(notes 6(j))</b>	<u>80,441</u>	<u>4</u>	<u>122,899</u>	<u>5</u>
8200	<b>Net profit</b>	<u>337,544</u>	<u>18</u>	<u>590,736</u>	<u>26</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	(2,090)	-	(2,374)	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>418</u>	<u>-</u>	<u>474</u>	<u>-</u>
8300	<b>Other comprehensive income (after tax)</b>	<u>(1,672)</u>	<u>-</u>	<u>(1,900)</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u><u>\$ 335,872</u></u>	<u><u>18</u></u>	<u><u>588,836</u></u>	<u><u>26</u></u>
	<b>Earnings per share (in dollars), after tax (note 6(m))</b>				
9750	<b>Basic earnings per share</b>	<u><u>\$ 3.71</u></u>		<u><u>6.50</u></u>	
9850	<b>Diluted earnings per share</b>	<u><u>\$ 3.69</u></u>		<u><u>6.48</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, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

			Retained earnings			
	Capital stock	Capital surplus	Legal reserve	Unappropriated earnings	Deferred compensation cost	Total equity
<b>Balance at January 1, 2020</b>	\$ 909,512	1,743,559	477,581	961,452	(25,633)	4,066,471
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>
Net Profit	-	-	-	337,544	-	337,544
Other comprehensive income	-	-	-	(1,672)	-	(1,672)
Total comprehensive income	-	-	-	335,872	-	335,872
Appropriation of 2020 earnings in 2021:						
Legal reserve	-	-	58,884	(58,884)	-	-
Cash dividends	-	-	-	(456,846)	-	(456,846)
Compensation cost arising from restricted stock	-	-	-	-	44,161	44,161
Restricted stock retired	(40)	40	-	-	-	-
<b>Balance at December 31, 2021</b>	<b>\$ 913,692</b>	<b>1,844,873</b>	<b>581,480</b>	<b>961,684</b>	<b>(29,440)</b>	<b>4,272,289</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, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 417,985	713,635
Adjustments:		
Adjustments to reconcile profit / loss:		
Depreciation expenses	486,340	456,756
Amortization expenses	6,010	5,506
Impairment losses (impairment gains and reversal of impairment losses) determined in accordance with IFRS 9	(641)	106
Interest expense	4,199	4,065
Interest income	(7,234)	(7,580)
Compensation cost arising from restricted stocks	44,161	40,476
Unrealized foreign exchange losses	609	4,525
<b>Total adjustments to reconcile profit / loss</b>	<u>533,444</u>	<u>503,854</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Increase in notes receivable	(21,899)	-
Decrease (increase) in trade receivables	355,536	(204,012)
Increase in inventories	(105,364)	(31,956)
Increase in prepayments	(1,516)	(4,433)
Decrease (increase) in other current assets	(717)	4,279
<b>Total changes in operating assets</b>	<u>226,040</u>	<u>(236,122)</u>
<b>Changes in operating liabilities:</b>		
Increase (decrease) in contract liabilities	1,590	(356)
Decrease in notes payable	(248)	(314)
Increase (decrease) in trade payables	(20,746)	20,536
Increase (decrease) in other payables	(20,842)	17,793
Increase (decrease) in other current liabilities	170	(40)
Decrease in defined benefit liability—non-current	(283)	(280)
<b>Total changes in operating liabilities</b>	<u>(40,359)</u>	<u>37,339</u>
<b>Net changes in operating assets and liabilities</b>	<u>185,681</u>	<u>(198,783)</u>
<b>Total adjustments</b>	<u>719,125</u>	<u>305,071</u>
Cash generated from operations	1,137,110	1,018,706
Interest received	7,234	7,580
Interest paid	(4,199)	(4,065)
Income tax paid	(118,195)	(5,269)
<b>Net cash generated from operating activities</b>	<u>1,021,950</u>	<u>1,016,952</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(205,980)	(419,141)
Acquisition of intangible assets	(847)	(3,727)
Decrease (increase) in other financial assets—current and non-current	1,256	(1,688)
Increase in other non-current assets	(127,012)	(31,188)
<b>Net cash used in investing activities</b>	<u>(332,583)</u>	<u>(455,744)</u>
<b>Cash flows from (used in) financing activities:</b>		
Payment of lease liabilities	(7,800)	(8,331)
Cash dividends	(456,846)	(363,731)
Issuance of restricted stock	-	19,024
<b>Net cash used in financing activities</b>	<u>(464,646)</u>	<u>(353,038)</u>
<b>Effects of exchange rate changes on balance of cash held in foreign currencies</b>	<u>(280)</u>	<u>(2,138)</u>
<b>Net increase in cash and cash equivalents</b>	224,441	206,032
<b>Cash and cash equivalents at the beginning of year</b>	1,546,680	1,340,648
<b>Cash and cash equivalents at the end of year</b>	<u>\$ 1,771,121</u>	<u>1,546,680</u>

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, 2021 and 2020**

**(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 January 26, 2022.

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

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2021.

— 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”.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from April 1, 2021.

— Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

(Continued)



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

- (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, 2022, would not have a significant impact on its financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Disclosure of Accounting Policies”	<p>The key amendments to IAS 1 include:</p> <ul style="list-style-type: none"> <li>• requiring companies to disclose their material accounting policies rather than their significant accounting policies;</li> <li>• clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and</li> <li>• clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.</li> </ul>	January 1, 2023

(Continued)

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 8 “Definition of Accounting Estimates”	The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	January 1, 2023

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 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

**(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 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”).

(Continued)

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

**(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.

**(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.

(Continued)

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

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.

**(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

(Continued)

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

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 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,  
(Continued)

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

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 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).

(Continued)

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

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.

**(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.

(Continued)

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

(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 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.

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

(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 are as follows:

- (i) Buildings and improvements: 34 to 36 years
- (ii) Machinery equipment: 3 to 7 years
- (iii) Transportation equipment: 6 years
- (iv) Electrical equipment: 15 to 16 years

(Continued)

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

(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 commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

(Continued)

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

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 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;

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

- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; 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.

**(3) As a lessor**

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

**(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.

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

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying 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.

**(I) 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

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

a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(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

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

the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

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

**(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;

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

- (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 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.

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

In preparing the financial statements, management has made 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

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

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**

	<u><b>December 31, 2021</b></u>	<u><b>December 31, 2020</b></u>
Cash on hand	\$ 152	384
Demand and checking deposits	527,173	473,545
Time deposits	857,700	796,180
Repurchase agreements collateralized by commercial paper	<u>386,096</u>	<u>276,571</u>
Cash and cash equivalents in the statement of cash flows	<u><b>\$ 1,771,121</b></u>	<u><b>1,546,680</b></u>

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

**(b) Notes and trade receivables**

	<u><b>December 31, 2021</b></u>	<u><b>December 31, 2020</b></u>
Notes receivable from operating activities	\$ 21,899	-
Trade receivables—measured as amortized cost	275,609	631,958
Less: Loss allowance	<u>(872)</u>	<u>(1,513)</u>
	<u><b>\$ 296,636</b></u>	<u><b>630,445</b></u>

(Continued)

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

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:

<b>December 31, 2021</b>			
	<b>Gross carry amount of notes and trade receivables</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 235,340	0.17%	406
1 to 90 days past due	62,168	0.75%	466
91 to 180 days past due	-	0%	-
More than 181 days past due	-	100%	-
<b>Total</b>	<b>\$ 297,508</b>		<b>872</b>

<b>December 31, 2020</b>			
	<b>Gross carry amount of notes and trade receivables</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
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	61	100%	61
<b>Total</b>	<b>\$ 631,958</b>		<b>1,513</b>

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

	<b>2021</b>	<b>2020</b>
Balance at beginning of the year	\$ 1,513	1,407
Impairment losses recognized(reversed)	(641)	106
Balance at end of the year	<b>872</b>	<b>1,513</b>

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

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

**(c) Inventories**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Raw materials and supplies	\$ 106,621	140,921
Work in progress	60,198	30,755
Finished goods	122,646	36,360
	<b>\$ 289,465</b>	<b>208,036</b>

The details of the cost of sales are as follows:

	<b>2021</b>	<b>2020</b>
Inventories that have been sold	\$ 1,055,012	1,090,867
Provision for inventories obsolescence(Reversal of write-downs)	641	(20,983)
Write-off for inventories scrapped	51,839	82,097
Revenue from sale of scraps	(3,246)	(7,370)
	<b>\$ 1,104,246</b>	<b>1,144,611</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, 2021	\$ 917,872	1,249,649	3,859	35,374	2,246,704	61,419	4,514,877
Additions	-	750	-	-	3,424	153,324	157,498
Disposals	-	-	-	-	12,678	-	12,678
Reclassification	-	6,711	-	-	218,895	(170,483)	55,123 (Note1)
Balance at December 31, 2021	<b>\$ 917,872</b>	<b>1,257,110</b>	<b>3,859</b>	<b>35,374</b>	<b>2,456,345</b>	<b>44,260</b>	<b>4,714,820</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 (Note2)
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>

(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, 2021	\$ 56,631	945,101	3,733	7,666	1,114,867	-	2,127,998
Depreciation	25,584	160,769	126	2,132	288,076	-	476,687
Disposals	-	-	-	-	12,678	-	12,678
Balance at December 31, 2021	<u>\$ 82,215</u>	<u>1,105,870</u>	<u>3,859</u>	<u>9,798</u>	<u>1,390,265</u>	<u>-</u>	<u>2,592,007</u>
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>
<b>Carrying amounts:</b>							
Balance at December 31, 2021	<u>\$ 835,657</u>	<u>151,240</u>	<u>-</u>	<u>25,576</u>	<u>1,066,080</u>	<u>44,260</u>	<u>2,122,813</u>
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 January 1, 2020	<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>

Note 1 : Other non-current assets — prepayment for equipment and inventories have been reclassified to testing equipment and other equipment with \$31,188 and \$23,935, respectively.

Note 2 : 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.

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, 2021	\$ 339,378	2,106	341,484
Disposals	-	(2,106)	(2,106)
Balance at December 31, 2021	<u>\$ 339,378</u>	<u>-</u>	<u>339,378</u>
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>

(Continued)

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

	<u>Land</u>	<u>Transportation equipment</u>	<u>Total</u>
<b>Accumulated depreciation and impairment loss:</b>			
Balance at January 1, 2021	\$ 17,870	1,580	19,450
Depreciation	9,127	526	9,653
Disposals	<u>-</u>	<u>(2,106)</u>	<u>(2,106)</u>
Balance at December 31, 2021	<u>\$ 26,997</u>	<u>-</u>	<u>26,997</u>
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>
<b>Carrying amounts:</b>			
Balance at December 31, 2021	<u>\$ 312,381</u>	<u>-</u>	<u>312,381</u>
Balance at December 31, 2020	<u>\$ 321,508</u>	<u>526</u>	<u>322,034</u>
Balance at January 31, 2020	<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, 2021	\$ 25,203
Additions	<u>847</u>
Balance at December 31, 2021	<u>\$ 26,050</u>
Balance at January 1, 2020	\$ 20,306
Additions	3,727
Reclassification	<u>1,170 (Note 1)</u>
Balance at December 31, 2020	<u>\$ 25,203</u>
<b>Accumulated amortization:</b>	
Balance at January 1, 2021	\$ 14,363
Amortization	<u>5,695</u>
Balance at December 31, 2021	<u>\$ 20,058</u>
Balance at January 1, 2020	\$ 9,068
Amortization	<u>5,295</u>
Balance at December 31, 2020	<u>\$ 14,363</u>
<b>Carrying amounts:</b>	
Balance at December 31, 2021	<u>\$ 5,992</u>
Balance at December 31, 2020	<u>\$ 10,840</u>
Balance at January 1, 2020	<u>\$ 11,238</u>

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

(Continued)

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

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Prepayment for equipment	\$ 125,436	31,188
Others	3,334	2,073
<b>Total</b>	<b>\$ 128,770</b>	<b>33,261</b>

The amount under “others” is the instalment of technology authorization.

(h) **Lease liabilities**

The carrying amounts of lease liabilities were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current	\$ 7,363	7,799
Non-current financial liabilities	310,425	317,789
	<b>\$ 317,788</b>	<b>325,588</b>

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

The amounts recognized in profit or loss were as follows:

	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	\$ 4,195	4,065
Expenses relating to short-term leases	\$ 1,218	1,466
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 127	135
COVID-19-related rent concessions	\$ -	386

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

	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	\$ 13,340	13,611

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 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.

(Continued)

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

(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, 2021</b>	<b>December 31, 2020</b>
Present value of defined benefit obligation	\$ 16,142	13,898
Fair value of plan assets	(8,818)	(8,381)
Net defined benefit liability	<u><u>\$ 7,324</u></u>	<u><u>5,517</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 \$8,750 and \$8,275 as of December 31, 2021 and 2020, 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>2021</b>	<b>2020</b>
Balance at January 1	\$ 13,898	11,169
Current service costs and interest	118	123
Remeasurement of the net defined benefit liability	2,126	2,606
Balance at December 31	<u><u>\$ 16,142</u></u>	<u><u>13,898</u></u>

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

	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 8,381	7,746
Interest income	73	87
Remeasurement of the net defined benefit asset	36	232
Employer contribution	328	316
Balance at December 31	<u><u>\$ 8,818</u></u>	<u><u>8,381</u></u>

(Continued)

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

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

	<b>2021</b>	<b>2020</b>
Interest cost	\$ 118	123
Interest income on plan asset	(73)	(87)
	<u>\$ 45</u>	<u>36</u>
Cost of sales	\$ 33	29
Selling expenses	3	1
General and administrative expenses	-	3
Research and development expenses	9	3
	<u>\$ 45</u>	<u>36</u>

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

	<b>2021</b>	<b>2020</b>
Cumulative balance as of January 1	\$ (4,493)	(2,119)
Recognized during the period	(2,090)	(2,374)
Cumulative balance as of December 31	<u>\$ (6,583)</u>	<u>(4,493)</u>

- (6) Actuarial assumptions

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Discount rate	0.70 %	0.85 %
Future salary increase	2.50 %	2.00 %

The expected amount of contributions for the year after the reporting date is \$328. The weighted-average duration of the defined benefit obligation is 14.9 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, 2021:		
Discount rate (change of 0.25%)	(2.56)%	2.68 %
Change in future salary (change of 1%)	11.17 %	(9.58)%
December 31, 2020:		
Discount rate (change of 0.25%)	(3.08)%	3.24 %
Change in future salary (change of 1%)	13.58 %	(11.47)%

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.

(Continued)



**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 2021 and 2020.

**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 \$12,946 and \$12,306 for the years ended December 31, 2021 and 2020, respectively.

**3. Short-term benefit obligation**

	<u><b>December 31, 2021</b></u>	<u><b>December 31, 2020</b></u>
Accrued for vacation, recorded as other payables	\$ <u><u>1,554</u></u>	<u><u>1,554</u></u>

**(j) Income taxes**

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

	<u><b>2021</b></u>	<u><b>2020</b></u>
Current tax expense		
Current period	\$ 78,293	116,876
Adjustment for prior years	1,381	199
Deferred tax benefit		
Origination and reversal of temporary differences	-	5,824
Adjustment in tax rate	<u>767</u>	<u>-</u>
Income tax expense	<u><u>\$ 80,441</u></u>	<u><u>122,899</u></u>

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

	<u><b>2021</b></u>	<u><b>2020</b></u>
Remeasurement of defined benefit plan	\$ <u><u>418</u></u>	<u><u>474</u></u>

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

	<u><b>2021</b></u>	<u><b>2020</b></u>
Income before income tax	\$ <u>417,985</u>	<u>713,635</u>
Income tax calculated based on the Company's tax rate	83,597	142,727
Tax incentives and tax-exempt government grants	(8,273)	(20,421)
Undistributed earnings additional tax	3,655	-
Adjustment for prior periods	1,381	199
Others	<u>81</u>	<u>394</u>
	<u><u>\$ 80,441</u></u>	<u><u>122,899</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 2021 and 2020 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, 2021	\$ 1,103	15,137	1,272	17,512
Recognized in profit or loss	(56)	129	(840)	(767)
Recognized in other comprehensive income	418	-	-	418
Balance at December 31, 2021	<u>\$ 1,465</u>	<u>15,266</u>	<u>432</u>	<u>17,163</u>
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>

3. Examination and Approval

The Company's tax returns for the years through 2019 were examined and approved by the tax authority.

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

As of December 31, 2021 and 2020, 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 \$91,369 thousand shares and \$91,373 thousand shares, respectively. All the capitals were fully received.

Reconciliations of shares outstanding for 2021 and 2020 were as follows (in thousand shares):

	<u>Ordinary shares</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	91,373	90,951
Restricted stock issuance	-	442
Restricted stock retired	(4)	(20)
Balance at December 31	<u>91,369</u>	<u>91,373</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 February 3, 2021, July 29 and February 5, 2020, the Company's board of directors approved a resolution to retire 4 thousand shares, 1 thousand shares, and 19 thousand shares of restricted stock, respectively, which are non-vested. The basis date of the decrease in capital were February 18, 2021, August 27 and February 12, 2020, respectively, and the registration procedures have been completed.

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

(3) Capital surplus

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Additional paid-in capital	\$ 1,741,705	1,741,705
Restricted stock	103,168	103,128
Total	<u>\$ 1,844,873</u>	<u>1,844,833</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.

On January 26, 2022, the board of directors meeting resolved to distribute its capital surplus by cash in the amount of \$ 45,685 (NT\$0.5 per share) and it is not resolved by the shareholders' meeting yet.

(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 2020 and 2019 were approved by the shareholders' meetings on July 28, 2021, and May 21, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

		Unit per share: dollar			
		2020		2019	
		<u>TWD/per share</u>	<u>Amount</u>	<u>TWD/per share</u>	<u>Amount</u>
Dividend distributed to common shareholders:					
Cash dividends	\$	5.0	<u>456,846</u>	4.0	<u>363,731</u>

(Continued)

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

On January 26, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings. These earnings were appropriated as follows:

		2021
		<u>TWD/per share</u> <u>Amount</u>
Dividend distributed to common shareholders:		
Cash dividends	\$	3.0 <u><u>274,108</u></u> (Note)

Note : Not resolved by the shareholders' meeting yet.

**(1) 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

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

shareholders are executed by a custodian who will act in accordance with the laws and regulations. If 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>2021</u>	<u>2020</u>
Outstanding at January 1	438	189
Granted during the year	-	442
Vested during the year	(219)	(176)
Retired during the year	-	(13)
Repurchased, not retired during the year	-	(4)
Outstanding at December 31	<u>219</u>	<u>438</u>

For the years ended December 31, 2021 and 2020, the compensation cost of restricted stock amounted to \$44,161 and \$40,476, 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>2021</u>	<u>2020</u>
<b>Basic earnings per share:</b>		
Profit attributable to ordinary shareholders of the Company	\$ 337,544	590,736
Weighted-average number of common shares outstanding	91,009	90,813
	<u>\$ 3.71</u>	<u>6.50</u>
<b>Diluted earnings per share:</b>		
Profit attributable to ordinary shareholders of the Company (diluted)	\$ 337,544	590,736
Weighted-average number of common shares outstanding	91,009	90,813
Effect of employee stock compensation	213	270
Effect of restricted stock	162	116
Weighted-average number of common shares outstanding (diluted)	91,384	91,199
	<u>\$ 3.69</u>	<u>6.48</u>

(Continued)

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

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

1. Disaggregation of revenue

	<u>2021</u>	<u>2020</u>
Primary geographical markets:		
Mainland China	\$ 1,204,198	1,348,587
United States	307,887	344,280
Taiwan	167,208	461,432
Others	<u>193,410</u>	<u>154,790</u>
	<u><u>\$ 1,872,703</u></u>	<u><u>2,309,089</u></u>
Major products:		
Wafer	\$ 1,847,286	2,287,832
Others	<u>25,417</u>	<u>21,257</u>
	<u><u>\$ 1,872,703</u></u>	<u><u>2,309,089</u></u>

2. Contract balances

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Trade receivables	\$ 297,508	631,958	431,069
Less: Loss allowance	<u>(872)</u>	<u>(1,513)</u>	<u>(1,407)</u>
	<u><u>\$ 296,636</u></u>	<u><u>630,445</u></u>	<u><u>429,662</u></u>
Contract liabilities	<u><u>\$ 11,968</u></u>	<u><u>10,378</u></u>	<u><u>10,734</u></u>

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, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$9,923 and \$9,687, 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, 2021 and 2020, the remuneration to employees amounted to \$37,297 and \$70,947, respectively, and the remuneration of directors amounted to \$4,662 and

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

\$7,883, 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 2021 and 2020. The related information can be accessed through the Market Observation Post System. For the years ended December 31, 2021 and 2020, 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>2021</b>	<b>2020</b>
Bank deposits	\$ <u>7,234</u>	<u>7,580</u>

2. Other gains and losses

	<b>2021</b>	<b>2020</b>
Foreign exchange losses, net	\$ (14,102)	(22,161)
Gains on valuation of financial assets and liabilities by fair value, net	1,299	510
Government grants revenue	14,850	21,918
Others	<u>832</u>	<u>1,702</u>
	<b>\$ <u>2,879</u></b>	<b><u>1,969</u></b>

3. Finance costs

	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	\$ 4,195	\$ 4,065
Bank loans	<u>4</u>	<u>-</u>
	<b>\$ <u>4,199</u></b>	<b><u>4,065</u></b>

**(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, 2021 and 2020, a few customers of the Company accounted for 46.61% and 42.55%, respectively, of operating revenue, and they were 55.75% and 60.10%, respectively, of trade receivables as of December 31, 2021 and 2020. 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

(Continued)

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

provision for the years ended December 31, 2021 and 2020, 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, 2021 and 2020.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f).

**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, 2021</b>							
Non-derivative financial liabilities							
Non-interest-bearing liabilities	\$ 292,391	292,391	292,391	-	-	-	-
Lease liabilities	<u>317,788</u>	<u>397,414</u>	<u>5,796</u>	<u>5,796</u>	<u>11,592</u>	<u>34,777</u>	<u>339,453</u>
	<b><u>\$ 610,179</u></b>	<b><u>689,805</u></b>	<b><u>298,187</u></b>	<b><u>5,796</u></b>	<b><u>11,592</u></b>	<b><u>34,777</u></b>	<b><u>339,453</u></b>
<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>
	<b><u>\$ 708,781</u></b>	<b><u>792,736</u></b>	<b><u>389,391</u></b>	<b><u>5,930</u></b>	<b><u>11,592</u></b>	<b><u>34,777</u></b>	<b><u>351,046</u></b>

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, 2021</b>			<b>December 31, 2020</b>		
	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 12,896	27.680	356,954	27,578	28.480	785,435
CNY	407	4.344	1,769	202	4.377	885
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	2,839	27.680	78,571	2,203	28.480	62,749

(Continued)



**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>2021</b>		<b>2020</b>	
	<b>Exchange gains (losses)</b>	<b>Average rate</b>	<b>Exchange gains (losses)</b>	<b>Average rate</b>
USD	\$ (13,876)	-	(22,151)	-
Others	(226)	-	(10)	-
	<b>\$ (14,102)</b>	<b>-</b>	<b>(22,161)</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 \$6,724 and \$17,344 for the years ended December 31, 2021 and 2020, 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 :

		<b>December 31, 2021</b>			
		<b>Carrying amount</b>	<b>Fair Value</b>		
			<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
					<b>Total</b>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$	1,771,121	-	-	-
Notes and trade receivables		296,636	-	-	-
Other financial assets — current and non-current		15,647	-	-	-
Total		<b>\$2,083,404</b>			
<b>Financial liabilities measured at amortized cost</b>					
Payables	\$	292,391	-	-	-
Lease liabilities		317,788	-	-	-
	\$	<b>610,179</b>	-	-	-

(Continued)

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

		December 31, 2020				
		Carrying	Fair Value			
		amount	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost</b>						
Cash and cash equivalents	\$ 1,546,680	-	-	-	-	-
Notes and trade receivables	630,445	-	-	-	-	-
Other financial assets—current and non-current	<u>16,903</u>	-	-	-	-	-
Total	<u><b>\$ 2,194,028</b></u>					
<b>Financial liabilities measured at amortized cost</b>						
Payables	\$ 383,193	-	-	-	-	-
Lease liabilities	<u>325,588</u>	-	-	-	-	-
Total	<u><b>\$ 708,781</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, 2021 and 2020.

**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

(Continued)

**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:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total liabilities	\$ 708,831	842,387
Less: cash and cash equivalents	(1,771,121)	(1,546,680)
Net debt	<b>\$ (1,062,290)</b>	<b>(704,293)</b>
Total equity	<b>\$ 4,272,289</b>	<b>4,349,102</b>
Debt-to-equity ratio	<b>(24.86)%</b>	<b>(16.19)%</b>

As of December 31, 2021, 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, 2021 and 2020, please refer to note 6(h).

Reconciliation of liabilities arising from financing activities were as follows:

	<b>Lease liabilities</b>
January 1, 2021	\$ 325,588
Cash flows	
Payment of lease liabilities	(7,800)
December 31, 2021	<b>\$ 317,788</b>

(Continued)

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

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

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

Key management personnel compensation comprised:

	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 31,530	37,790
Post-employment benefits	460	436
Share-based payments	14,487	9,184
	<u><u>\$ 46,477</u></u>	<u><u>47,410</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, 2021</b>	<b>December 31, 2020</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>\$ 15,242</u></u>	<u><u>16,320</u></u>

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

**(a) Unrecognized contractual commitments:**

1. The Company outstanding standby letter of credit for purchasing property are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Outstanding standby letter of credit	<u><u>\$ 75,481</u></u>	<u><u>-</u></u>

2. The Company signed contracts with domestic and foreign vendors for purchasing property, plant and equipment. As of December 31, 2021 and 2020, the contracts amounted to \$298,891 and \$128,986, respectively, and the unpaid payment and unissued letter of credit were \$64,502 and \$38,444, respectively.

**(b) Contingencies: None.**

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

(Continued)

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

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

**(12) Other:**

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

By function By item	2021			2020		
	Classified as cost of sales	Classified as operating expenses	Total	Classified as cost of sales	Classified as operating expenses	Total
Employee benefits						
Salary	248,519	111,244	359,763	244,221	121,795	366,016
Labor and health insurance	19,476	7,374	26,850	17,384	6,724	24,108
Pension	10,181	2,810	12,991	9,625	2,717	12,342
Remuneration of directors	-	4,962	4,962	-	9,618	9,618
Others	8,349	5,237	13,586	8,579	5,899	14,478
Depreciation	440,054	46,286	486,340	402,953	53,803	456,756
Amortization	315	5,695	6,010	211	5,295	5,506

The additional information about the number of employees and employee benefits for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Number of employees	<u>338</u>	<u>328</u>
Non-employee directors	<u>4</u>	<u>4</u>
Average of employee benefits	<u>\$ 1,237</u>	<u>1,287</u>
Average of employee salary	<u>\$ 1,077</u>	<u>1,130</u>
Adjustment of average employee salary	<u>(4.69%)</u>	<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

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

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.

**(13) Other disclosures:**

**(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: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, 2021, 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.**

(Continued)

**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 %
United Hermes Investment Company Emerging Markets Equity Fund entrusted to HSBC.	7,865,200	8.60 %

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>2021</u>	<u>2020</u>
Revenue from external customers:		
Mainland China	\$ 1,204,198	1,348,587
United States	307,887	344,280
Taiwan	167,208	461,432
Other	193,410	154,790
	<u>\$ 1,872,703</u>	<u>2,309,089</u>
Non-current assets:		
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taiwan	<u>\$ 2,569,956</u>	<u>2,753,014</u>

(e) Major shareholders:

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

<u>Customer</u>	<u>2021</u>	<u>2020</u>
C	\$ 466,298	609,169
A	272,345	373,440
	<u>\$ 738,643</u>	<u>982,609</u>

**LANDMARK OPTOELECTRONICS CORPORATION**

**Statement of cash and cash equivalents**

**December 31, 2021**

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Cash on hand	\$ 152
Bank deposits	Demand deposits	475,406
	Foreign currency demand deposits(USD1,844,936.47, exchange rate at 27.68)	51,068
	Foreign currency demand deposits(JPY2,896,400, exchange rate at 0.2405)	697
	Foreign currency demand deposits(CNY511.64, exchange rate at 4.344)	2
	Time deposits(From 2022.1.8 to 2022.11.16)	857,700
Repurchase agreements collateralized by commercial paper	Repurchase agreements collateralized by commercial paper(From 2022.1.11 to 2022.1.20, interest rate at 0.25%~0.3%)	386,096
		<u>\$ 1,771,121</u>

**Statement of notes receivable**

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
<b>Non-related-parties :</b>		
D	Notes receivable from sales	\$ <u>21,899</u>

**LANDMARK OPTOELECTRONICS CORPORATION**

**Statement of trade receivables**

**December 31, 2021**

(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
<b>Non-related-parties :</b>		
A	Trade receivables for sales	\$ 67,796
E	"	54,441
C	"	43,620
F	"	24,276
G	"	22,692
Other(Note1)	"	<u>62,784</u>
Subtotal		275,609
Less: Loss allowance		<u>(872)</u>
<b>Total</b>		<b><u>\$ 274,737</u></b>

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

**Statement of inventories**

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Market price</u>	
Finished goods	\$ 161,937	225,283	Market price is determined by net realizable value
Work in progress	60,270	60,198	"
Raw materials	47,917	47,236	"
Supplies	95,670	60,836	"
Less: Allowance for inventory devaluation and obsolescence	<u>(76,329)</u>		
<b>Total</b>	<b><u>\$ 289,465</u></b>		

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

**LANDMARK OPTOELECTRONICS CORPORATION**

**Statement of prepayments and other current assets**

**December 31, 2021**

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

<b>Item</b>	<b>Description</b>	<b>Amount</b>
<b>Prepayments :</b>		
Prepaid expenses	Prepaid insurance 、 software usage fee and maintenance	\$ 10,806
Other	Office supplies	3,900
		<u><b>\$ 14,706</b></u>
<b>Other current assets :</b>		
Tax refund receivable	Sales tax refund receivable	\$ 5,671
Temporary payments	Charitable giving from employees and travel advances	755
		<u><b>\$ 6,426</b></u>

**Statement of other financial assets - current**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Restricted bank deposits	Post-release duty payment of import cargo deposits	<u><b>\$ 2,569</b></u>

**Statement of changes in property, plant and equipment**

**For the year ended December 31, 2021**

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

**LandMark Optoelectronics Corporation**  
**Statement of changes in right-of-use assets**  
**For the year ended December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

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

**Statement of changes in intangible assets**  
**For the year end December 31, 2021**

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

**Statement of other financial assets - non-current**  
**December 31, 2021**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Restricted bank deposits	Lease deposit for Southern Taiwan Science Park	\$ 12,673
Refundable deposits	Office in Japan disposal and rental deposits	405
		<u>\$ 13,078</u>

**LANDMARK OPTOELECTRONICS CORPORATION**

**Statement of change in other non-current assets**

**For the year ended December 31, 2021**

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

<b>Item</b>	<b>Beginning Balance</b>	<b>Addition</b>	<b>Decrease</b>	<b>Ending Balance</b>
Prepayment for equipment	\$ 31,188	125,436	31,188	125,436
Instalment of technology authorization	2,052	1,575	293	3,334
Prepayment for security cellphone	21	-	21	-
<b>Total</b>	<b>\$ 33,261</b>	<b>127,011</b>	<b>31,502</b>	<b>128,770</b>

**Statement of trade payables**

**December 31, 2021**

<b>Client name</b>	<b>Description</b>	<b>Amount</b>
<b>Non-related-party :</b>		
H	Trade payables due to purchasing goods	\$ 51,072
I	"	15,543
J	"	8,894
Other(Note1)	"	13,734
		<b>\$ 89,243</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, 2021**

**(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>11,968</u></u>
<b>Other payables :</b>		
Salaries and bonuses payable	Salaries payable for December, year-end bonuses and non-leaving pay	\$ 40,759
Employee compensation payable	Employee compensation payable	57,802
Director's remuneration payable	Director's remuneration payable	4,662
Payables on equipment	Purchase of machinery	47,817
Other	Pension, professional service fees and other expenses	52,108
		\$ <u><u>203,148</u></u>
<b>Other current liabilities :</b>		
Other	Withholding labor insurance, income tax and pension	\$ <u><u>1,186</u></u>

**LandMark Optoelectronics Corporation**  
**Statement of lease liabilities**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Lease term</u>	<u>Discount rate</u>	<u>Amount</u>	<u>Note</u>
Land	Leases land from Southern Tainan Science Park	2010.8.1~2057.10.25	1.345%	\$ <u>317,788</u>	
				\$ <u><u>317,788</u></u>	

**Statement of operating revenue**  
**For the year ended December 31, 2021**

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Sales revenue—wafer	Note	\$ 1,850,190	
Other		<u>25,417</u>	
Subtotal		1,875,607	
Less : Sales discounts and allowances		212	
Sales returns		<u>2,692</u>	
Net revenue		\$ <u><u>1,872,703</u></u>	

Note : The products have multiple specifications and different units.



**LANDMARK OPTOELECTRONICS CORPORATION**

**Statement of operating costs**

**For the year ended December 31, 2021**

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

<b>Item</b>	<b>Amount</b>
Raw materials, beginning of year	\$ 81,408
Add : Raw materials purchased	240,550
Less : Raw materials, end of year	47,917
Raw material sold	213
Transferred to operating expenses	37,979
Raw materials used	<u>235,849</u>
Supplies, beginning of year	87,334
Add : Supplies purchased	173,851
Less : Supplies, end of year	95,670
Transferred to assets	23,935
Transferred to operating expenses	100,690
Supplies scrapped	69
Supplies used	<u>40,821</u>
Direct labour	74,393
Manufacturing expense	903,675
Manufacturing cost	<u>1,254,738</u>
Add : Work in process, beginning of year	30,755
Transferred from finished goods	124,937
Less : Work in process, end of year	60,270
Transferred to operating expenses	25,522
Cost of finished goods	<u>1,324,638</u>
Add : Finished goods, beginning of year	84,226
Finished goods processing fee	38,718
Less : Finished goods, end of year	161,937
Transferred to work in process	124,937
Finished goods scrapped	51,770
Transferred to operating expenses	54,139
Cost of sale of finished goods	<u>1,054,799</u>
Add : Cost of sale of raw materials	213
Write-off for inventories scrapped	51,839
Provision for inventory obsolescence	641
Less : Revenue from sale of scraps	3,246
<b>Total</b>	<b><u><u>\$ 1,104,246</u></u></b>

**LANDMARK OPTOELECTRONICS CORPORATION**

**Statement of operating expenses**

**For the year ended December 31, 2021**

**(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>Impairment gains and reversal of impairment losses determined in accordance with IFRS 9</b>	<b>Total</b>
Salary and wages	\$ 19,391	45,163	54,462	-	119,016
Rent	-	31	1,219	-	1,250
Freights	3,073	-	2	-	3,075
Utilities	665	4,844	1,413	-	6,922
Insurance expenses	1,759	5,888	3,833	-	11,480
Taxes	-	5,012	-	-	5,012
Depreciation expenses	490	24,976	20,820	-	46,286
Amortization expenses	-	5,695	-	-	5,695
Meal expenses	319	703	679	-	1,701
Employee benefits	-	3,124	-	-	3,124
Research expenses	-	-	100,419	-	100,419
Other management expenses	811	5,542	435	-	6,788
Miscellaneous purchase	180	1,005	1,615	-	2,800
Professional service fees	-	2,440	3,103	-	5,543
Samples expense	11,556	-	-	-	11,556
Inspection expense	-	-	9,212	-	9,212
Processing fee	-	-	5,021	-	5,021
Impairment gains and reversal of impairment losses determined in accordance with IFRS 9	-	-	-	(641)	(641)
Other expenses	2,678	7,085	2,364	-	12,127
	<u>\$ 40,922</u>	<u>111,508</u>	<u>204,597</u>	<u>(641)</u>	<u>356,386</u>

**LANDMARK OPTOELECTRONICS CORPORATION****Statement of non-operating income and expenses****For the year ended December 31, 2021**

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

# LandMark Optoelectronics Corporation

Chairman: *Ching-Yi Chang*

Date: March 31, 2022