

Lien Hwa Industrial Holdings Corporation
(Original name: Lien Hwa Industrial
Corporation)
Parent Company Only Financial
Statements and Independent Auditor's
Report
December 31, 2020 and 2019

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Independent Auditors' Report

To the Board of Directors and Shareholders of Lien Hwa Industrial Holdings Corporation:

Opinion

We have audited the balance sheet of Lien Hwa Industrial Holdings Corporation (Original name: Lien Hwa Industrial Corporation) as at December 31, 2020 and 2019, and the comprehensive income statement, the statement of changes in equity and the cash flow statement, and the notes to parent company only financial statements (including the summary of significant accounting policies) for the year ended December 31, 2020 and 2019.

In our opinion, all material disclosures of the parent company only financial statements mentioned above were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Firms, and presented a fair view of the financial position of Lien Hwa Industrial Holdings Corporation as at December 31, 2020 and 2019, and the business performance and cash flow for the year ended December 31, 2020 and 2019.

Basis for opinion

We have conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards. Our responsibility to the standards will be explained in the paragraph of auditor's responsibilities when auditing the parent company only financial statements. All relevant independent personnel subject to the CPA professional ethics within the firm remain independent from the Lien Hwa Industrial Holdings Corporation and implement responsibilities regulated in the ethics. We believe we have obtained sufficient appropriate audit evidence to serve as the basis for the audit opinion.

Key audit matters

Key audit matters are the most important matters that we audit in the 2020 parent company only financial statements of Lien Hwa Industrial Holdings Corporation based on our professional judgment. All relevant matters were audited during the audit of the parent company only financial statements and the formulation of the audit opinions. We will not express our opinions on those matters separately. The key audit matters that we determine shall be listed on the audit report include:

Assessment of investment under equity method

Regarding the accounting policies for the investment assessment under equity method, please see note 4(8) and (9) to the Parent Company Only Financial Statements; for the shareholding in the profit of the affiliated companies and joint ventures under the equity method, please see note 6(6) to the Parent Company Only Financial Statements.

Description of the key audit matters:

After the demerger and transformation of Lien Hwa Industrial Holdings Corporation, the main business became general investment. The recognized investment amount under equity method totaled NTD31,093,720 thousand, occupying 82% of Lien Hwa Industrial Holdings Corporation's total assets. Therefore, the investment under equity method is listed as a matter we need to highly focus on when auditing.

Corresponding audit process:

The audit process we perform for the above key audit matters includes: provide audit instructions to and communicate with the audit staff of other component entities; acquire the financial statements of the component entities, perform a check calculation for the correctness of the recognized investment amount under equity method and attributable period and assess whether the management has properly disclosed the investment under equity method.

The responsibility of the management and the governing body for the parent company only financial statements

The management is responsible for preparing the appropriate parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Firms. Additionally, it is responsible for maintaining the internal control mechanism that is related to and necessary for the preparation of the parent company only financial statements. As a result, it can ensure material misstatement due to fraud or error is not pertained in the parent company only financial statements.

Other than the situation that the management intends to liquidate Lien Hwa Industrial Holdings Corporation or stop the business, or no other approaches can be used except for these two measures, during the preparation of the parent company only financial statements, the responsibility of the management also includes evaluating the going concern capacity of the Lien Hwa Industrial Holdings Corporation, disclosure of relative matters, and adoption of the going concern accounting basis.

The governing body of the Lien Hwa Industrial Holdings Corporation (including the Audit Committee) has the responsibility to supervise the financial reporting procedures.

Our responsibility for the audit of the parent company only financial statements

The purpose for us to audit the parent company only financial statements is to obtain reasonable assurance that there is no material misstatement due to fraud or error in the parent company only financial statements, and we issue the audit report afterwards. Reasonable assurance means high assurance. Only that the audit work implemented in accordance with the generally accepted auditing standards cannot give the promise that every material misstatement in the parent company only financial statements are found. Misstatement might result from fraud or error. If we can reasonably expect the individual amounts or the total amount in the misstatement would influence the financial decision made by the user of the parent company only financial statements, the misstatement is considered material.

When performing the audit according to the generally accepted auditing standards, we exercise professional judgment and remain skeptical professionally. We also perform the following work:

1. We identify the material misstatement resulting from fraud or error in the parent company only financial statement and assess its risk. We design and implement appropriate corresponding measures for the assessed risk. We acquire sufficient and appropriate audit evidence to serve as the basis for the audit opinion. Due to the fact that fraud might include collusion, forgery, intended omission, misstatement and violation of internal control, the risk of the misstatement resulting from fraud is higher than that resulting from error.
2. We acquire necessary understanding of the internal control mechanism that is related to the audit to design appropriate audit process for the situation at the time. The purpose of the knowledge is not expressing opinions to the effectiveness of the internal control mechanism of the Lien Hwa Industrial Holdings Corporation.
3. We evaluate whether the accounting policies adopted by the management are suitable and whether the accounting estimation as well as relative disclosures are appropriate.
4. Based on the acquired audit evidence, we decide whether the going concern accounting basis adopted by the management is suitable, whether events that might affect the going concern capacity of Lien Hwa Industrial Holdings Corporation exist, and whether there is major uncertainty. A conclusion will be made afterwards. We believe under the circumstances that there is major uncertainty, a reminder shall be included in the audit report to inform the parent company only financial statements user to pay attention to relative disclosures in the statements. We shall modify the audit opinion when the disclosure is considered improper. Our conclusion is based on the audit evidence acquired as of the date of the audit report. Future events or circumstances might still result in the fact that Lien Hwa Industrial Holdings Corporation no longer has the going concern capacity.
5. We evaluate the overall statements, structures and contents of the parent company only financial statements (including relative notes) and see whether the statements appropriately state relevant transactions and events.

6. We examine the financial information of invested company under the equity method to acquire sufficient and appropriate audit evidence for expressing opinions in the parent company only financial statements. We are responsible to guide, supervise and implement the audit. In addition, we are responsible for the formulation of opinions for Lien Hwa Industrial Holdings Corporation.

We communicate with the governing body on the scope and time of the audit as well as the significant findings (including significant deficiencies of the internal control mechanism identified during the audit process).

We have issued a declaration of independence to the governing body, which assured that all relevant personnel within the CPA firm had complied with ethical rules of the CPA profession. Besides, we mention the relation or situation that may compromise the CPA's independence (including relevant preventive measures) to the governing body.

After communicating the above matters with the governing body, we decide the key audit matters in the 2020 parent company only financial report of Lien Hwa Industrial Holdings Corporation. We clearly state all above matters in the audit report, unless the law prohibits us to publicly disclose certain matters, or under rare circumstances we decide not to include certain matters in the audit report since we can reasonably expect the resulting negative impact is greater than the public interest they bring.

The engagement partners on the audit resulting in this independent auditors' report are Linda Chiang and Liu-Fong Yang

KPMG

Taipei, Taiwan (Republic of China)

March 30, 2021

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China.

Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

Lien Hwa Industrial Holdings Corporation (original name: Lien Hwa Industrial Corporation)
Parent Company Only Balance Sheet
December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

Assets		12.31.2020		12.31.2019		Liabilities and equity		12.31.2020		12.31.2019	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalent (note 6(1))	\$ 138,569	-	\$ 118,566	-	2100	Current borrowings (note 6(11) and 7)	\$ 3,800,000	10	\$ 4,250,000	13
1170	Accounts receivable, net (note 6(3))	-	-	8,524	1	2110	Short-term notes and bills payable (note 6(12))	799,863	2	599,942	2
1206	Other receivables (note 6(4) and 7)	617	-	118,492	-	2170	Accounts payable	-	-	8,558	-
1220	Current tax assets	4,887	-	48,277	-	2200	Other payables (note 7)	52,678	-	561,574	2
1470	Other current assets	579	-	6,673	-	2230	Current tax liabilities	-	-	61,398	-
		<u>144,652</u>	<u>-</u>	<u>300,532</u>	<u>1</u>	2399	Other current liabilities, others	-	-	56	-
								<u>4,652,541</u>	<u>12</u>	<u>5,481,528</u>	<u>17</u>
Non-current assets:						Non-current liabilities:					
1517	Non-current financial assets at fair value through other comprehensive income (note 6(2))	6,577,693	18	5,638,623	17	2540	Non-current portion of non-current borrowings (note 6(13))	1,300,000	4	900,000	3
1550	Investments accounted for using equity method (note 6(6))	31,093,720	82	27,507,438	82	2551	Provision for employee benefit liability – non-current	858	-	764	-
1760	Investment property, net (note 6(10))	3,395	-	-	-	2600	Other non-current liabilities (note 6(17) and 7)	71,935	-	71,934	-
1975	Net defined benefit asset, non-current (note 6(16))	5,136	-	3,278	-			<u>1,372,793</u>	<u>4</u>	<u>972,698</u>	<u>3</u>
1990	Other non-current assets, others (note 6(17) and 8)	2,671	-	-	-			<u>6,025,334</u>	<u>16</u>	<u>6,454,226</u>	<u>20</u>
		<u>37,682,615</u>	<u>100</u>	<u>33,152,082</u>	<u>99</u>		Total liabilities				
							Equity: (note 6(18))				
						3110	Common shares	12,814,983	34	11,047,399	33
						3200	Capital surplus	856,544	3	765,121	3
						3300	Retained earnings	12,556,851	33	12,875,954	38
						3400	Other equities	5,758,318	15	2,494,677	7
						3500	Treasury stock	(184,763)	-	(184,763)	(1)
							Total equity	<u>31,801,933</u>	<u>84</u>	<u>26,998,388</u>	<u>80</u>
							Total liabilities and equity	<u>\$ 37,827,267</u>	<u>100</u>	<u>\$ 33,452,614</u>	<u>100</u>
	Total assets	<u>\$ 37,827,267</u>	<u>100</u>	<u>\$ 33,452,614</u>	<u>100</u>						

The accompanying notes are an integral part of the parent company only financial statements.

Lien Hwa Industrial Holdings Corporation
(original name: Lien Hwa Industrial Corporation)

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars , except for earnings per common share)

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (note 6(6 and 20) and 7)	\$ 1,055,797	100	\$ 3,012,535	100
5000	Operating cost (note 6(5) and 7)	-	-	2,229,177	74
	Operating gross profit	1,055,797	100	783,358	26
	Operating expenses:				
6100	Marketing expense	-	-	74,312	2
6200	Management expense	45,308	4	117,147	4
6300	Research and development expenses	-	-	28,851	1
6450	Estimate credit loss (gain) (note 6(3))	(37)	-	(198)	-
		45,271	4	220,112	7
	Net operating profit	1,010,526	96	563,246	19
	Non-operating income and expenses:				
7100	Interest income (note 6(22) and 7)	829	-	10,146	-
7010	Other revenues (note 6(22))	267,758	25	242,833	8
7020	Other profit and loss (note 6(22))	12,340	1	533,534	18
7050	Financial cost (note 6(22) and 7)	(53,663)	(5)	(50,635)	(2)
7370	Shareholding in the profit of the affiliated companies and joint ventures under the equity method (note 6(6))	1,870,229	177	1,535,017	51
		2,097,493	198	2,270,895	75
7900	Net income before tax	3,108,019	294	2,834,141	94
7951	Less: Income tax (benefits) expenses (note 6(17))	9,289	1	67,325	2
	Net income	3,098,730	293	2,766,816	92
	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	1,988	-	11,575	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	945,670	90	758,031	25
8330	Share of other comprehensive income of subsidiaries, affiliates and joint ventures under equity method - items not reclassified into profit or loss	2,256,566	214	977,144	32
8349	Less: Income tax related to items not reclassified	-	-	-	-
	Total items not reclassified into profit or loss	3,204,224	304	1,746,750	57
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation	116,743	11	85,132	3
8380	Share of other comprehensive income of subsidiaries, affiliates and joint ventures under equity method- items may be reclassified into profit or loss	62,608	6	(291,542)	(10)
8399	Less: Income tax related to items may be reclassified	-	-	-	-
	Total items may be subsequently reclassified into profit or loss	179,351	17	(206,410)	(7)
	Other comprehensive income in current period (net amount after tax)	3,383,575	321	1,540,340	50
8500	Total comprehensive income	\$ 6,482,305	614	\$ 4,307,156	142
	EPS (unit: NTD) (note 6(19))				
9750	Basic earnings per share	\$ 2.43		\$ 2.17	
9850	Diluted earnings per share	\$ 2.43		\$ 2.17	

The accompanying notes are an integral part of the parent company only financial statements.

Lien Hwa Industrial Holdings Corporation (original name: Lien Hwa Industrial Corporation)
Parent Company Only Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Other equities		Treasury stocks	Total equities
	Common stock share capital	Additional paid-in capital	Legal reserve	Special reserve	Undistributed earnings	Exchange difference in the financial statements of foreign operations	Unrealized profit (loss) of the financial assets measured at fair values through other comprehensive profit or loss		
Balance on January 1, 2019	\$ 10,521,332	766,253	2,811,777	141,843	8,015,257	(195,325)	2,491,349	(2,393)	24,550,093
Net income	-	-	-	-	2,766,816	-	-	-	2,766,816
Other comprehensive income	-	-	-	-	14,649	(206,410)	1,732,101	-	1,540,340
Total comprehensive income	-	-	-	-	2,781,465	(206,410)	1,732,101	-	4,307,156
Allocation and distribution of earnings:									
Legal reserve appropriated	-	-	247,629	-	(247,629)	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(1,683,413)	-	-	-	(1,683,413)
Common stock dividends	526,067	-	-	-	(526,067)	-	-	-	-
Changes of affiliates and joint ventures under equity method	-	(10,195)	-	-	(8,748)	-	-	-	(18,943)
Stock purchased by the subsidiary from the parent company that deemed as the treasury stock	-	-	-	-	-	-	-	(182,370)	(182,370)
Distribution of dividend to the subsidiary to adjust the additional paid-in capital	-	9,063	-	-	-	-	-	-	9,063
Disposal of investments under the equity method	-	-	-	-	1,278,836	16,802	(1,278,836)	-	16,802
Disposal of equity instrument measured at fair value through other comprehensive income	-	-	-	-	65,004	-	(65,004)	-	-
Balance on December 31, 2019	11,047,399	765,121	3,059,406	141,843	9,674,705	(384,933)	2,879,610	(184,763)	26,998,388
Net income	-	-	-	-	3,098,730	-	-	-	3,098,730
Other comprehensive income	-	-	-	-	(6,741)	179,351	3,210,965	-	3,383,575
Total comprehensive income	-	-	-	-	3,091,989	179,351	3,210,965	-	6,482,305
Allocation and distribution of earnings:									
Legal reserve appropriated	-	-	411,656	-	(411,656)	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(1,767,584)	-	-	-	(1,767,584)
Common stock dividends	1,767,584	-	-	-	(1,767,584)	-	-	-	-
Changes of affiliates and joint ventures under equity method	-	80,984	-	-	126,272	-	(126,675)	-	80,581
Distribution of dividend to the subsidiary to adjust the additional paid-in capital	-	9,516	-	-	-	-	-	-	9,516
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	923	-	-	(2,196)	-	-	-	(1,273)
Balance on December 31, 2020	\$ 12,814,983	856,544	3,471,062	141,843	8,943,946	(205,582)	5,963,900	(184,763)	31,801,933

The accompanying notes are an integral part of the parent company only financial statements.

Lien Hwa Industrial Holdings Corporation (original name: Lien Hwa Industrial Corporation)

Parent Company Only Statement of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
Cash flow from operating activities:		
Net income before tax	\$ 3,108,019	2,834,141
Adjustments:		
Income/expenses		
Depreciation expense	-	122,099
Amortization expense	-	3,810
Reversal gain from estimate credit loss	(37)	(198)
Interest expense	53,663	50,635
Interest income	(829)	(10,146)
Dividend income	(267,758)	(241,685)
Shareholding in the profit of the subsidiaries, affiliated companies and joint ventures under the equity method	(2,926,026)	(1,831,968)
Disposal of investment gain	-	(505,859)
Income/expenses	<u>(3,140,987)</u>	<u>(2,413,312)</u>
Changes in operating activities related assets and liabilities:		
Net changes in assets relating to operating activities:		
Receivable notes	-	237,998
Accounts receivable	8,561	359,658
Other receivable	116,375	489
Inventory	-	130,878
Net defined benefit assets	130	-
Other current assets	6,094	(7,924)
Net changes in assets relating to operating activities	<u>131,160</u>	<u>721,099</u>
Net changes in liabilities relating to operating activities:		
Accounts payable	(8,558)	(26,716)
Other payable	(8,158)	(6,069)
Reserve for liabilities	94	(5,599)
Other current liabilities	(56)	(15,442)
Net defined benefit liability	-	(36,884)
Net changes in liabilities relating to operating activities	<u>(16,678)</u>	<u>(90,710)</u>
Changes in operating activities related assets and liabilities	<u>114,482</u>	<u>630,389</u>
Adjustments	<u>(3,026,505)</u>	<u>(1,782,923)</u>
Cash flow from operating activities	81,514	1,051,218
Interest received	829	10,146
Dividend received	2,617,433	1,281,077
Interest paid	(54,401)	(50,623)
Returned income tax (paid)	<u>(27,224)</u>	<u>14,288</u>
Net cash inflow from operating activities	<u>2,618,151</u>	<u>2,306,106</u>

(Continued)

Lien Hwa Industrial Holdings Corporation (original name: Lien Hwa Industrial Corporation)

Parent Company Only Statement of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
Cash flow from investing activities:		
Acquisition of financial assets measured at fair values through other comprehensive profit or loss	-	(323,692)
Refunds from decapitalization of financial assets measured at fair values through other comprehensive profit or loss	6,600	10,157
Acquisition of investments under the equity method	(901,398)	(820,021)
Proceeds from capital reduction of investments under the equity method	416,208	-
Acquisition of property, plant, and equipment	-	(46,894)
Decrease in guarantee deposits paid	-	600
Decrease in other receivable	1,500	381,887
Acquisition of investment property	-	(82)
Increase of other non-current assets	-	(1,889)
Increase in prepaid equipment purchase	-	(13,078)
Net cash outflow from investing activities	<u>(477,090)</u>	<u>(813,012)</u>
Cash flow from financing activities:		
Increase (decrease) in short-term loans	(450,000)	500,000
Increase in short-term notes payable	199,921	100,000
Borrowing of long-term loan	800,000	900,000
Retirement of long-term loans	(400,000)	(900,000)
Decrease in deposits received	-	(628)
Increase (decrease) in other payable	(500,000)	500,000
Lease principal payment	-	(2,210)
Cash dividend distribution	(1,767,584)	(1,683,413)
Demerger decrease	(3,395)	(1,211,257)
Net cash outflow from financing activities	<u>(2,121,058)</u>	<u>(1,797,508)</u>
Current cash and cash equivalents increase (decrease)	20,003	(304,414)
Opening balance of cash and cash equivalents	<u>118,566</u>	<u>422,980</u>
Closing balance of cash and cash equivalents	<u>\$ 138,569</u>	<u>118,566</u>

The accompanying notes are an integral part of the parent company only financial statements.

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements
For the years ended December 31, 2020 and 2019

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

I. Company profile

Lien Hwa Industrial Holdings Corporation (Original name: Lien Hwa Industrial Corporation Hereinafter referred to as “the Company”) was approved by the Ministry of Economic Affairs and founded in July, 1955. The Company merged with China Chemical Corporation on December 1, 2002. And was registered at 6F., No. 44, Sec. 1, Chengde Rd., Datong Dist., Taipei City. The main business of the Company includes flour production and sale, real estate rental, integrated system service, automatic system and other electronic business.

To become more competitive and improve the business performance, the Company performed organizational reconstructing and established a professional breakdown system. In the shareholder’s meeting on June 25, 2019, it was resolved that September 1, 2019 was the base date of company demerger. The flour business and the rental business were split in the form of surviving spin-off and transferred to the 100%-owned subsidiaries, Lien Hwa Milling Corporation and Lien Hwa Property Development Corporation, respectively.

The name of the Company was changed from “Lien Hwa Industrial Corporation” to “Lien Hwa Industrial Holdings Corporation” to be in line with the regulations for the transformation into an investment holding company. After the demerger and transformation, the main business became general investment.

II. Financial report approval date and procedures

The parent company only financial statements were approved and published by the Board of Directors on March 30, 2021.

III. Application of new standards, amendments and interpretations

(1) We have adopted the new standards, amendments and interpretations approved by the Financial Supervisory Commission.

The company adopts the following newly recognized IFRS on January 1, 2020. Such adoptions shall have no material impacts on the parent company only financial statements.

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concession”

(2) Effect when the Company has yet to adopt the IFRSs approved by the FSC.

The application of the newly amended IFRSs mentioned below that take effect on January 1, 2021 shall have little chance leading to material impacts in the parent company

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

only financial statements.

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 “Interest Rate Benchmark Reform - Phase II”

(3) New and amended standards and interpretations not yet recognized by FSC.

IFRSs that have been released and amended by the International Accounting Standards Board (hereinafter referred to as the IASB) but have not yet approved by the FSC, and that may be relevant to the parent company only company are listed down below:

<u>New or revised guidelines</u>	<u>Major revisions</u>	<u>Effective date of IASB’s announcement</u>
Amendments to IFRS 1 “Classification of Liabilities as Current or Non-Current”	<p>The purpose of the amendment is to improve the consistency of the IFRS application, in order to assist the enterprises determining whether “debts with undetermined maturity date” and “other liabilities” should be identified as “current (matures or may mature within one year)” or “non-current” in the balance sheet.</p> <p>The amendment also clarifies the classification of liabilities which may be settled through transferring them into equity.</p>	2023.1.1

The company was currently evaluating how the above standards and interpretations would affect its financial position and business performance. Further impacts will be disclosed once the evaluation is completed.

The company expects that the following newly released and amended, but not yet approved IFRSs do not have material impact on its the parent company only financial statements.

- Amendments to IFRS 10 and IAS 28 “The Assets Sales or Purchase between Investors and Their Affiliates or Joint Ventures”
- IFRS 17 “Insurance Contracts” and amendments hereto
- Amendments to IAS 16 “Property, Plant, and Equipment - Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”
- IFRS 2018-2020 Annual Improvement
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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Notes to the Parent Company Only Financial Statements

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

IV. Summary of Significant Accounting Policies

The summary of the significant accounting policies adopted by the parent company only financial statements is described as follows. The following accounting policies have been applied during the presentation period of the parent company only financial statements.

(I) Statement of compliance

The parent company only financial statements were prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(II) Basis for preparation

1. Basis for measurement

In addition to the following important items in the balance sheet, the parent company only financial statements were prepared based on the historical cost:

- (1) Financial assets measured at fair value through other comprehensive profit or loss;
- (2) Net defined benefit liabilities measured at the fair value of pension fund assets with the deduction of the present value of a defined benefit obligation and the ceiling effect described in note 4(16).

2. Functional currency and presentation currency

Each vehicle of the Company used the currency of the primary economic environment as its functional currency. The parent company only financial statements were prepared in the Company’s functional currency, NT Dollar. All of the financial information presented in NTD should be held presented in NTD 1,000 as the currency unit.

(III) Foreign currency

1. Transactions in foreign currencies

Foreign currency transactions are converted into the functional currency using exchange rates on the date of transaction. Monetary foreign currency accounts as of the end of the reporting period (referred to as the reporting date) are converted into the functional currency using exchange rates on the reporting date.

The foreign currency non-monetary item measured at fair value is converted into functional currency in accordance with the exchange rate on the valuation date. The foreign currency non-monetary item valued at historical cost is converted in accordance with the exchange rates on the transaction date.

The foreign currency exchange difference generated from conversion shall be recognized in profit and loss. But under the circumstances below, it shall be

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recognized in other comprehensive income.

- (1) Equity instrument designated to be measured at fair value through other comprehensive income;
 - (2) Financial liabilities designated as hedges of foreign institution's net investment are within the effective hedge scope; or
 - (3) Qualified cash flow hedge is within the effective hedge scope.
2. Foreign operating agency

Assets and liabilities of foreign operations, including the goodwill and fair value adjustment generated at the time of acquisition, shall be converted into the presentation currency of the parent company only financial statements on the reporting date. Income and expenses are converted into presentation currency of the parent company only financial statements at the average exchange rate in the current period, and the exchange different generated therefor shall be stated as other comprehensive profit or loss.

When the disposal of a foreign operation causing a loss of control, loss of joint control, or significant influence, the cumulative exchange difference related to the foreign operation is entirely reclassified as profit or loss. If the disposal involves any subsidiary of the foreign operations, the relevant accumulated exchange difference shall be reclassified into the non-controlling interests on a pro rata basis. If the disposal involves any affiliate or joint venture of the foreign operations, the relevant accumulated exchange difference shall be reclassified into income or loss on a pro rata basis.

If no repayment program is defined with respect to monetary item receivable or payable of the foreign operations and it is impossible to settle in the foreseeable future, the foreign currency exchange gain or loss generated therefor shall be held as a part of the net investment of the foreign operations and recognized as other comprehensive profit or loss.

(IV) Classification of assets and liabilities as current and non-current

Assets that meet any of the following criteria are classified as current assets; assets other than the current assets are classified as non-current assets:

1. Assets expected to be realized, intent to be sold or consumed over the normal operating cycles;
2. Assets held primarily for the trading purpose;
3. Assets expected to be realized within 12 months after the reporting period; or
4. Assets in cash or cash equivalents, except for those that are used for an exchange or to settle a liability, or otherwise remain restricted in more than 12 months after the reporting period.

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Liabilities that meet any of the following criteria are classified as current liabilities; liabilities other than current liabilities are classified as non-current liabilities:

1. Liabilities expected to be settled over the normal operating cycles;
2. Liabilities held primarily for the trading purpose;
3. Liabilities expected to be settled within 12 months after the reporting period; or
4. Liabilities whose settlement period may not be unconditionally extended for at least 12 months after the reporting period. Liabilities under the terms that give counterparties the option to repay in the form of equity instruments and without the effect on their classification due to such terms

(V) Cash and cash equivalent

Cash includes cash reserves and current deposit balance. Cash equivalent includes short-term and highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of changes in value. The time deposits that fall into the above definition and are intended to satisfy the short-term cash commitment instead of investment or other purposes shall be stated as cash or cash equivalents.

For the time deposits with an initial maturity date that is within a year intended to satisfy the short-term cash commitment instead of investment or other purposes, they are readily convertible into fixed amounts of cash at any time and subject to an insignificant risk of changes in value. Therefore, they shall be stated as cash or cash equivalents.

(VI) Financial instruments

Accounts receivable and debt securities issued are recognized at time of generation. All other financial assets and financial liabilities are recognized when the Company becomes a contracting party of the terms and conditions of the financial instruments concerned. For the financial assets that are not measured at fair value through profit or loss (excluding accounts receivable that comprises material financial parts) or financial liabilities shall be initially evaluated based on the fair value, plus the directly attributable acquired or issued transaction cost. Accounts receivable that comprises material financial parts shall be initially measured based on the transaction price.

1. Financial assets

For the financial assets that are purchased or sold in accordance with the general trade practice, and the financial assets that are classified in the same way, the Company processes the purchase and sale in accordance with the trade date accounting.

The financial assets can be classified into the following categories during the initial recognition: financial assets measured at amortized cost and the equity instrument investment measured at fair value through other comprehensive income. When, and only when, the Company changes its business model for managing

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financial assets, it must reclassify all affected financial assets from the first day of the reporting period.

(1) Financial assets measured at amortized cost

The financial asset that meets the following criteria and is not designated to be measured at fair value through profit and loss shall be measured at amortized cost:

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

The above assets are measured at initial recognition value plus or minus, and the accumulated amortization is calculated with the effective interest method. And the amortized cost of the loss allowance is adjusted before the measurement. The interest revenue, foreign currency exchange gain or loss and impairment are recognized in profit or loss. During derecognition, the profit or loss is recognized in profit or loss.

(2) Financial assets measured at fair values through other comprehensive profit or loss

The debt instrument investment that meets the following criteria and is not designated to be measured at fair value through profit and loss shall be measured at fair value through other comprehensive profit or loss:

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

The Company may, at initial recognition, irrevocably make a choice to recognize the later fair value change of the equity instrument investment held not for transaction in other comprehensive profit or loss. The above choice is made on the basis of the instrument-by-instrument approach.

The debt instrument investment shall be measured at fair value. The interest revenue, foreign currency exchange gain or loss and impairment calculated using the effective interest method are recognized in profit or loss. Other net profit or loss is recognized in other comprehensive profit or loss. When derecognizing, the accumulated amount of other comprehensive profit or loss will be reclassified as profit or loss.

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The equity instrument investment shall be measured at fair value. Dividend income (excluding obvious recovery of partial investment cost) is recognized in profit or loss. Other net profit or loss is recognized in other comprehensive profit or loss and will not be reclassified as profit or loss.

Dividend income of the equity investment will be recognized on the day when the Company has the right to collect the dividend income (usually the ex-dividend date).

(3) Impairment of financial assets

The Company recognizes the expected credit losses of the financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable, other receivables, guaranteed deposits paid and other financial assets) in loss allowance.

The loss allowance of the following financial asset is measured at 12-month expected credit losses. The other is measured at expected credit losses of the duration:

- The determined credit risk of the debt security on the reporting date is low; and
- The credit risk of other debt securities and bank deposits (i.e. the default risk happened throughout the expected duration of the financial instrument) does not increase significantly after the initial recognition.

The loss allowance of accounts receivable is measured at the expected credit losses throughout the duration.

When determining whether the credit risk has increased significantly after the initial recognition, the Company shall take reasonable and supporting materials into consideration (acquired through not too much cost and effort), including qualitative and quantitative data. Besides, the experience of the Company, credit assessment and forward-looking information shall be used for the analysis.

The expected credit loss is the weighted credit loss rate estimation of the financial instrument throughout the expected duration. The credit loss is measured at present value of the all cash shortfalls. The cash shortfall is the difference between the contractual cash flow that the Company can collect and the cash flow the Company expects to collect. The expected credit loss uses the effective rate of the financial asset for discount.

The Company assesses whether credit impairment has occurred on every reporting date based on financial assets measured at amortized cost and debt

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securities measured at fair value through other comprehensive profit or loss.

When one or several matters that will negatively affect the estimated future cash flow of financial assets happen, the credit impairment occurs. The evidence that proves the credit impairment of financial assets includes the following observable information:

- The borrower or issuer has major financial difficulty;
- Contract default. Such as overdue or non-performance of payment for over 180 days.
- Due to economic or contractual reason with respect to the borrower's financial difficulty, the Company compromises on things it would not give in.
- The borrower is likely to file for bankruptcy or proceed with other financial reorganizations; or
- The active market of financial assets might extinguish due to financial difficulty.

The loss allowance of financial assets measured at amortized cost is deducted from the book value of assets.

When the Company cannot reasonably expect all or parts of the recovered financial assets, it will reduce the total book value of its financial assets directly. For company customers, the Company analyzes the write-off time and amount respectively based on whether it can reasonably expect the recovery. The Company expects the written-off amount will not result in significant reversal. However, the enforcement of the written-off financial assets can still be performed to be in conformity with the procedure for the Company to recover the overdue amount.

(4) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights on the cash flow of the assets are terminated, or financial assets are transferred and almost full risk and return of the asset ownership are transferred to other business, or almost full risk and return of the ownership is not transferred or retained and the control of financial assets is not retained.

For the transaction of financial assets transfer signed by the Company, when reserving almost full risk and return of the transferred asset ownership, it is still recognized in the balance sheet.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

The obligation and equity instruments issued by the Company are classified into financial liabilities or equities according to definitions of the

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financial liabilities and equity instruments referred to in an agreement.

(2) Equity transaction

Equity instruments are the contracts that evidence a residual interest in the assets of the Company after deducting all of its liabilities. The equity instruments issued by the Company shall be recognized based on the payment of acquisition less the direct issuing cost.

(3) Treasury stocks

When repurchasing the equity instrument that has been recognized by the Company, the consideration paid for the repurchase (including directly attributable costs) is recognized as equity loss. The share that is repurchased is classified as treasury stock. The collected amount of the sale or repurchase of treasury stocks will be recognized as equity increase. The surplus or deficit result from the transaction will be recognized as additional paid-in capital or retained earnings (if the additional paid-in capital is insufficient for write-off).

(4) Financial liabilities

Financial liabilities can be classified as the liabilities measured at amortized cost or the liabilities measured at fair value through profit or loss. If the financial liabilities are held for trading, are derivatives or designated during initial recognition, the financial liabilities will be measured at fair value through profit or loss. The financial liabilities that are measured at fair value through profit or loss measured at fair value will be recognized in profit or loss. This applies to relative net profit and loss, including any interest payment.

Other financial liabilities are measured at amortized cost using the effective interest method. The interest payment and exchange gain or loss are recognized in profit or loss. Any profit or loss is recognized in profit or loss when derecognizing.

(5) Derecognition of financial liabilities

The Company will have the financial liabilities derecognized when the contractual obligation is performed, discharged, or expired. When the financial liabilities clauses are modified and the cash flow of the modified liabilities has significant difference, the original financial liabilities will be derecognized and the new financial liabilities will be recognized at fair value based on the modified clauses.

When removing financial liabilities from the balance sheet, any differences between the book value and the amount paid or payable (including any non-cash assets transferred and any liabilities assumed as part of the arrangement) are recognized through profit and loss.

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(6) Offset of financial assets and liabilities

Financial assets and liabilities may be offset against each other and reported in the balance sheet in net amount only when the Company is entitled to such offset exercisable under laws and intends to settle in net amount, or assets are realized and liabilities are repaid at the same time.

(VII) Inventory

Inventories are measured at the lower of cost or net realizable value. The cost should include the costs of acquisition, production or processing or others incurred when the inventory is sellable or producible and at the location where the inventory is sellable or producible, and calculated under weighted average method. The costs of inventories for finished goods and work in process include the manufacturing expenses amortized based on the normal productivity on a pro rata basis.

Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs under the normal operation.

(VIII) Investment in Affiliated enterprise

Affiliated enterprise is the one that the Company has significant influence on and no control of joint control over its financial and operating policies.

The equities of the Company in the affiliated enterprise are disposed under equity method. Under the equity method, the original acquisition is recognized at cost and the investment cost includes the transaction cost. The book value of investments in an affiliated enterprise includes the goodwill identified in original investment net of any accumulated impairment loss.

The parent company only financial statements shall include the profit and loss from the invested affiliates recognized subject to the equity ratio and other comprehensive income upon adjustment made in line with the Company's accounting policy, from the date when the Company has major influence till the date when the Company loses the major influence. When changes to equity irrespective of profit and loss or comprehensive income occur to an affiliated enterprise with no impact on the shareholding ratio of the Company, the Company's share of such changes in equity will be recognized as additional paid-in capital based on the shareholding ratio.

The unrealized gain and loss deriving from the transactions between the Company and the affiliated enterprise are recognized in the financial statement of the enterprise within the scope of equity of the non-related investor in the affiliated enterprise.

Recognition of the loss stops when the loss of the affiliated enterprise recognized proportionally by the Company equals or exceeds its equity in the affiliated enterprise; also, only recognizes additional loss and related liabilities are recognized only upon occurrence of a legal obligation, constructive obligations, or prepayment made on behalf

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of the invested company.

The investment is no longer recognized under equity method from the date on which the Company stops the investment in the affiliated enterprise. The preserved equity is measured at fair value. The difference between the fair value and the disposal amount of the preserved equity and the book value of investment on the date on which the equity method is not adopted is recognized as current profit and loss. Where the accounting treatment for the values related to the investment as recognized into other comprehensive income previously is identical with the basis for the affiliated enterprise's direct disposition of related assets or liabilities, namely, when the related assets or liabilities are disposed, the gain or loss recognized in other comprehensive profit or loss previously is to be reclassified as retained earnings. If the ownership interest of the consolidated company in the affiliated enterprise decreases but remains under the equity method, the consolidated company will follow the method stated above to reclassify and adjust the gain or loss recognized in other comprehensive profit or loss previously relating to such ownership interest decrease based on the decline ratio.

(IX) Investment in subsidiaries

In compiling the parent company only financial statements, the Company shall evaluate the investee of which the company has dominant control under the equity method. Under the equity method, income of current period and other comprehensive incomes as presented in the parent company only financial statements shall be identical with the income of current period and other comprehensive incomes attributable to the proportion allocated to the parent shareholder as presented in the financial statement prepared on the basis of consolidation. The shareholders' equity as presented in the parent company only financial statements shall be identical with the parent shareholders' equity as presented in the financial statement prepared on the basis of consolidation.

If the Company's equity ownership change in a subsidiary does not result in the loss of control of the subsidiary, it is treated as equity transaction with the shareholders.

(X) Investment property

Investment property is held for earning rent income or for capital appreciation, or both, rather than for normal business operation, for sale, used in production, for supply of goods or services, or for administrative purposes. Investment property is initially measured at cost and then subsequently measured at cost subtracting by accumulated depreciation and Impairment. The depreciation methods, life duration and residual values of investment property are same as the practice of the property, plant, and equipment.

The gain or loss on disposal of investment property (calculated based on the difference between the net disposal proceeds and the book value of such item) is recognized in profit and loss.

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The rent income arising from investment property is recognized as rent income in accordance with the straight-line method over the lease period. Also, the given lease incentives is recognized as part of the overall rent income over the lease period.

(XI) Property, plant, and equipment

1. Recognition and Measurement

Property, plant and equipment are measured at cost (including the capitalization of borrowing costs) less accumulated depreciation and any impairment.

When the crucial components of the property, plant and equipment have different useful years, the property, plant and equipment shall be disposed separately (for major components).

The gain or loss on disposal of property, plant and equipment is recognized in the profit or loss.

2. Subsequent cost

The subsequent cost may be capitalized only when its future economic effect will probably inflow to the Company.

3. Depreciation

The depreciation shall be calculated at the cost of assets less residual value and recognized as income using straight-line method over the estimated useful years for each component.

No depreciation of land is required.

The estimated useful years in the current period and comparative period are stated as follows:

(1) Building and structure	2 - 55 years
(2) Machine and equipment	2 - 15 years
(3) Transportation equipment	5 years
(4) Office equipment	3 - 8 years
(5) Other equipment	2 - 15 years

The Company shall review the depreciation, useful years and residual value on the reporting date every year and make appropriate adjustment if necessary.

4. Reclassified to investment property

When the usage of the own-occupied property is changed to investment property, the property shall be reclassified as investment property in accordance with the book value at the time of changing the intended use.

(XII) Lease

1. Determination of lease

The Company assesses whether the contract belongs to or includes the lease on the formation date of the contract. If the contract transfers the controlling interest in

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the use of identified asset for a period of time to exchange for consideration, then the contract belongs to or includes the lease. To assess whether the contract belongs to the lease or not, the Company focuses on the following items for assessment:

- (1) Whether the contract involves one identified asset. Such identified asset is stated or implied whenever available in the contract and the entity can classify or represent the total substantive capacity. If the supplier has the substantive right to replace such asset, then the asset is not an identified asset; and
- (2) Whether the customer has the right to acquire almost all economic effects on the use of the identified asset during the whole period; and
- (3) Whether the contract acquires the leading right for the use of the identified asset during the whole period when meeting one of the following conditions:
 - The customer has the leading right concerning the usage method and purpose of the identified asset during the entire usage period; or
 - The relevant decision-making concerning the usage method and purpose of such asset is decided in advance, and:
 - The customer has the right to operate such asset during the entire usage period and the supplier has no right to change the operation instruction; or
 - The method used to design the asset by the customer determines its usage method and purpose during the entire usage period in advance.

2. Lessee

The right-of-use assets and lease liabilities are recognized by the Company on the starting date of the lease. The right-of-use asset is initially measured by the cost, including the initial measurement amount of the lease liabilities, any lease payment paid on the starting date of the lease adjustment or in advance plus the initial direct costs generated and the estimated costs for the removal and restoration of the underlying assets with its locations while deducting any received lease incentives.

The subsequent right-of-use assets are depreciated under straight-line method from the lease starting date to the end of its useful years or the expiration of the lease period, the earlier one expired shall prevail. In addition, the Company regularly assesses whether the right-of-use assets have impairment, manages any occurred impairment losses and adjusts the right-of-use assets in case of re-measurement of the lease liabilities.

The lease liabilities are initially measured at current value of the unpaid lease payment on the lease starting date. If the interest rate implicit in a lease is easily defined, then the discount rate will be the interest rate. If not, the Company's incremental borrowing rate of interest will be adopted. Generally, the Company adopts its incremental borrowing rate of interest as the discount rate.

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The lease payments included in the lease liabilities measurement contains:

- (1) Fixed payments including the substantive fixed payment;
- (2) Variable lease payments depending on certain index or rate. The initial measurement adopts the index or rate on the lease starting date;
- (3) The residual guarantee amount of the expected payment; and
- (4) The exercise price or required penalties when exercising the purchase or lease termination options in reasonable and certain manner.

The interest of the lease liabilities is calculated by effective interest method afterwards, the its amount is measured in case of the following:

- (1) The changes in the index or rate determining the lease payments cause the changes in the future lease payments;
- (2) Changes in the residual guarantee amount of the expected payment;
- (3) Changes in the assessment relating the purchase options of underlying assets;
- (4) The assessment made during the lease term changes due to the changes in the assessment of whether to extend or terminate the options;
- (5) Modification in the subject, scope or other clauses of the lease.

When the lease liabilities are re-measured due to the changes in the index or rate determining the lease payments, changes in the residual guarantee amount and the re-measurement resulted from the assessment changes in the extension or termination of options, the book amount of the right-of-use assets shall be adjusted accordingly. When the book value of the right-of-use assets is reduced to zero, the remaining re-measured amount shall be recognized as income.

For the lease modification in reducing the scope of lease, the book value of the right-of-use assets is reduced to reflect the partial or overall termination of lease and the difference between the re-measured amounts of lease modification and liabilities shall be recognized as income.

The Company will use line item to display the right-of-use assets and lease liabilities not conforming to the definition of investment property separately in the balance sheet.

If the agreement includes the lease and non-lease components, the Company uses the relative single price as the basis to allocate the consideration of the contract to individual lease components. Only when renting land and buildings, the Company choose not to distinguish the non-lease components but to view the lease and non-lease components as one single lease component for management.

For the short-term lease of office and transportation equipment and lease of underlying low-value assets, the Company choose not to recognize the right-of-use

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assets and lease liabilities, but to recognize relevant lease payments as expenses on the straight-line basis over the lease term.

3. Lessor

For transactions concerning the Company as lessor, the lease contract will be classified based on whether to transfer most risks and returns attached to the underlying assets on the contract date. If yes, it will be classified as financial lease, otherwise it will be classified as operating lease. During the assessment, the Company will consider relevant specific indexes, such as whether the lease term covers the main part of economic life for the underlying assets.

If the Company is the sublessor, it shall manage the main lease and sublease transactions separately and use the right-of-use assets generated from the main lease to assess the classification of the sublease transactions. If the main lease is short term and applicable to recognition exemption, the sublease transactions of the main lease shall be classified as business lease.

If the agreement includes the lease and non-lease components, the Company shall allocate the consideration in the contract according to the regulations specified in IFRS 15.

The assets held under financial lease are presented as financial lease receivables by the amount of the net investment of lease. The original direct cost generated from negotiation and arrangement for business lease is included in the net investment of the lease. The net investment of lease is amortized and recognized as interest income over the lease term in the form which can reflect the fixed rate of return in each period. For the operating lease, the Company states the received lease payments as rent income on the straight-line basis over the lease term.

(XIII) Impairment of non-financial assets

The Company shall assess whether the book value of the non-financial assets (except the inventories and deferred tax assets) has any possible sign of impairment. In case of any possible sign of impairment, the consolidated company shall estimate the recoverable amount of such asset. Goodwill is tested regularly for impairment every year.

For the purpose of impairment testing, inflow the cash to one of the asset groups that has most cash inflow independent from other individual assets or asset groups as the minimum identifiable asset group. The goodwill acquired in a business consolidation shall be allocated to the consolidated company's cash-generating units or cash-generating group that is expected to benefit from the synergies of the consolidation effort.

The collectible amount shall be the higher of the fair value of individual asset or cash generation unit less the disposal cost and the value in use. When assessing the value in use, the estimated future cash flow is discounted to current value by pre-tax discount rate. The

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pre-tax discount rate shall reflect the specific risk assessment of the current market toward the time value of money and the asset or cash generation unit.

If the collectible amount of individual asset or cash generation unit is less than the book value, the amount shall be recognized as impairment loss.

The impairment loss is immediately recognized as income and the book value of each amortized cash-generating unit shall be reduced first, then the book values of other assets shall be reduced based on each book value ratio of each asset in the unit.

The impairment loss on goodwill shall not be reversed. The non-financial assets other than goodwill can only be reversed within the book value of the asset (less depreciation or amortization) without impairment loss recognized in the previous year.

(XIV) Reserve for liabilities

The reserve for liabilities shall be recognized when the Company has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The reserve for liabilities is discounted to current value by the pre-tax discount rate. The pre-tax discount rate shall reflect the specific risk assessment of current market toward the time value of money and the liabilities. The discounted amortization is then recognized as financial cost.

(XV) Revenue recognition

1. Revenue from Contracts with Customers

Revenue is measured by the expected consideration in which the consolidated company has the right to acquire from the product transfer or labor service. The Company shall recognize the revenue as income when transferring the control of product or labor service to the customer to meet the performance obligation. The main income items of the Company are described as follows:

(1) Sale of goods—Flour products

The Company grinds and manufactures flour products and sells the products to each channel. The Company recognizes the revenue as income when the control of product is transferred. The transfer of product control means the product is delivered to the customer and the customer can fully determine the sales channels and prices of the product without any undelivered obligation affecting the customer's acceptance of the product. The delivery occurs when the product is delivered to the specified location, the risk of loss has transferred to the customer, the customer accepts the product according to the sales contract and the acceptance terms become invalid, or the Company has objective evidence to prove that all acceptance conditions has been fulfilled.

When selling flour products to the distributor, the Company will provide

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quantity discount to the customer if the shipment reaches the basis of certain quantity. The Company recognizes the income based on the contract price less the net amount of estimated quantity discount. The amount of quantity discount is estimated by the expected value based on the past accumulated experience and is recognized as income only within the scope of height may not result in significant reversal.

When selling the products, the Company shall comply with the contract to pay commissions and slotting fees to the customer based on the sales volume. The consideration is treated as decrease in transaction price and income because it cannot exchange for the classifiable product or labor service transferred by the customer.

The Company recognizes the receivables upon product delivery because the Company has the rights to receive consideration without any condition at that point in time.

(2) Rental revenue

The rent income of the Company arising from investment property is recognized in accordance with the straight-line method over the lease period; also, the given lease incentives is deemed as part of the overall rent income and it is credited to the rent income in accordance with the straight-line method over the lease period. The income generated from the sublease of property is recognized in the "Rent revenue" of the operating income.

(3) Financing components

The Company expects the interval between the time of product transfer or labor service to all customers based on the contract and the payment time of the product or labor service by the customer shall not exceed one year, thus the Company will not adjust the time value of money of the transaction price.

(XVI) Employee benefits

1. Defined contribution plan

The obligation of defined contribution plan is recognized as expense during the service period of the employee. The prepaid contribution may be recognized as assets, insofar as it may result in the refunding of cash or the reduction of future payment.

2. Defined benefit plan

The net obligation of the defined benefit plan by the Company is converted to the present value based on the future benefit earned from the services provided by the employees in the current period or in the past subtracting the fair value of the plan assets.

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A qualified actuary using the Projected Unit Credit Method estimates defined benefit obligations each year. When the calculation result may be favorable to the Company, the assets recognized shall be no more than the refund under the plan or the present value of economic benefit to be earned by decrease in the contribution under the plan. The calculation of present value of economic benefit shall take into consideration the minimum funding contribution needed.

The re-measurement of net defined benefit liability, including the actuarial income, return on remuneration of planned assets (excluding interest) and any change in the asset cap effect (excluding interest), is immediately recognized in other comprehensive income and accumulated in the retained earnings. The Company determines the net interest expense (income) of the net defined benefit liability (assets) by the net defined benefit liability (assets) and discount rate determined during the start of the reporting period. The net interest expense of the net defined benefit liability and other expenses are recognized as income.

When the plan is modified or reduced, the benefit variance generated in relation to the previous service cost or impaired gain or loss is immediately recognized as income. In the event of settlement of the Company, recognize the profits and loss of settlement of the welfare plan.

3. Other long-term employee benefits

The net obligation of other long-term employee benefits by the Company is converted to the present value based on the future benefit earned from the services provided by the employees in the current period or in the past. The re-measurement is recognized as income upon occurrence.

4. Short-term employee benefits

Short-term employee benefit obligation shall be recognized as expense when the service is provided by the employee. If the Company has a present statutory or presumed benefit obligation due to the past service provided by employee and such obligation may be estimated reliably, the amount shall be recognized as liabilities.

(XVII) Income tax

The income tax consists of current income tax and deferred income tax. The current income tax and deferred income tax shall be recognized in profit or loss, other than the income tax related to combined entities, and items stated into other comprehensive income or stated into equity directly.

The current income tax includes the projected income tax payable or tax refund receivable based on the current taxable income (loss), and the adjustment on income tax payable or tax refund receivable in the previous years. The amount refers to the best estimates of the expected payables or receivables measured on the basis of the statutory tax rate or tax rate substantially enacted on the reporting date.

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The deferred income tax is recognized based on the book value of assets and liabilities for the purpose of financial reporting and temporary difference generated from the taxation basis for assets and liabilities. No deferred income tax will be recognized in the case of the temporary difference generated under the following circumstances:

1. Assets or liabilities recognized initially in the transactions other than combined business, and the accounting profit and taxable income (loss) remain unaffected at the time of transaction.
2. Taxable temporary difference generated from investment in subsidiaries, affiliates and joint ventures, of which the time of reverse is controllable by the Company and which is not likely to be reversed in the foreseeable future;
3. Taxable temporary difference generate from the initial recognition of goodwill.

The unused taxation loss and unused income tax credit carry-forward and deductible temporary difference shall be stated as deferred income tax assets when the temporary difference is very likely to credit against the future taxable income. Meanwhile, revaluation shall be conducted on each reporting date, so that the related income tax gains may be adjusted or decreased when they are not likely to be realized; or when it is very likely that there will be sufficient taxable income afford to reverse the decreased amount.

The deferred income tax is measured at the tax rate prevailing when the temporary difference is reversed, and based on the statutory tax rate or tax rate substantially enacted on the reporting date.

The company will offset deferred income tax assets and deferred income tax liabilities only when the following conditions are satisfied:

1. When the company is entitled to the right to offset the current income tax assets against the current income tax liabilities; and
2. The deferred income tax assets and deferred income tax liabilities are related to the subjects on whom the same tax collection authority imposed the income tax;
 - (1) The same tax collection subject; or
 - (2) Different subjects, but each subject desires to repay the assets and liabilities on a net basis or concurrently realize and repay the assets and liabilities in each of the following periods in which the major deferred income tax assets are expected to recovered and deferred income tax liabilities are expected to be repaid.

(XVIII) EPS

The company lists the basic and diluted earnings per share of the common stock shareholders of the Company. The Company's basic earnings per share is based on the profit or loss of the Company's common stock shareholder divided by the weighted average number of outstanding common stock shares of the period. The diluted EPS is calculated upon adjustment of the effect of all potential diluted common stocks based on the income vested in the common stock holders and the number of shares of the weighted average outstanding common stock.

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(XIX) Department information

The Company had department information disclosed in the consolidated financial statements; therefore, the department information was not disclosed in the parent company only financial statements.

V. Significant accounting judgments, estimations and major sources of assumption uncertainty

When the management has the parent company only financial statements prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, it is necessary to make judgments, estimations, and assumptions that are influential to the accounting policies adopted and the assets, liabilities, and income and expenses amount reported. Actual results may differ from those estimations.

The management continues to review estimations and assumptions. Changes in accounting estimates will be recognized in the period of change and future periods affected.

For the significant judgments involved in accounting policies and the influential information to the amount recognized in the parent company only financial report, please refer to the following notes:

- (1) Determining the consolidated company's substantial control over an investee. Please refer to the 2020 consolidated financial report.

VI. Description of significant accounting items

(1) Cash and cash equivalent

	12.31.2020	12.31.2019
Demand deposit	\$ 105,199	73,510
Time deposit	33,370	45,056
Cash and cash equivalents listed in the Statement of Cash	\$ 138,569	118,566

Flows:

For the interest rate risk and sensitivity analysis disclosure of the Company's financial assets and liabilities, please refer to note 6(23).

(2) Financial assets at fair value through other comprehensive income

	12.31.2020	12.31.2019
Equity instruments at fair value through other comprehensive income:		
TWSE(GTSM) domestic listed stocks	\$ 6,168,359	5,233,821
TWSE(GTSM) domestic unlisted stocks	409,334	404,802
Total	\$ 6,577,693	5,638,623

The dividend income from the aforementioned equity instrument investment measured at fair value through other comprehensive profit or loss were NT\$ 267,758 thousand and NT\$ 241,685 thousand for the years 2020 and 2019.

The Company has not transferred any accumulated gain and loss of the equity from

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the undisposed strategic investments in 2020 and 2019.

For the credit risk and market risk information, please refer to note 6(23).

The financial assets stated above has not been used as collaterals.

(3) Notes and accounts receivable

	12.31.2020	12.31.2019
Accounts receivable	\$ -	9,157
Less: Loss allowance	-	(633)
	\$ -	8,524

The Company applies simplified method to estimated the expected credit losses of all notes and accounts receivable, i.e. using the expected credit losses throughout the duration for measurement. For this measurement purpose, the notes and accounts receivable is classified according to the common credit risk features concerning the representative customers' capacity of paying all amount due on the contract and is included in the forward-looking information, including the macro economy and relevant industrial information. The analysis of the Company's expected credit losses of the notes and accounts receivable is as follows:

	12.31.2019		
	Book value of notes and accounts receivable	Weighted average rate of expected credit losses	Allowance for expected credit losses throughout the duration
Undue	\$ 167	0.00%~0.01%	-
Overdue within 30 days	8,240	0.28%	23
Overdue for 31~60 days	53	3.49%	2
Overdue for 61~90 days	101	12.08%	12
Overdue over 181 days	596	100.00%	596
	\$ 9,157		633

The statement of changes in the loss allowance for the notes and accounts receivable of the Company is as follows:

	2020	2019
Beginning balance	\$ 633	831
Recognized impairment loss (reversal)	(37)	(198)
Amounts irrecoverable and written off in the current period	(596)	-
Ending balance	\$ -	633

The financial assets stated above are not used as long-term loan or financing collateral.

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(4) Other receivables

	12.31.2020	12.31.2019
Other receivables— Loan to subsidiaries	\$ -	1,500
Others	617	116,992
	\$ 617	118,492

According to the historical experience, other receivables stated above is estimated to have no expected credit losses generated since there are no defaults throughout the duration, therefore the rate of its expected credit losses is estimated to be zero.

(5) Inventory

The details of the Company's operating cost in 2020 and 2019 are as follows:

	2020	2019
Cost of sales	\$ -	2,159,971
Processing cost	-	1
Rental cost	-	66,705
Idle capacity	-	3,221
Gains from the reversal of inventory loss in valuation	-	(693)
Revenue from sale of scraps	-	(28)
	\$ -	2,229,177

As of December 31 2019, the Company had not pledged its inventory as collaterals.

(6) Investment under equity method

The company's investment under equity method on the reporting date is as follows:

	12.31.2020	12.31.2019
Subsidiary	\$ 17,376,999	15,753,356
Affiliates	13,716,721	11,754,082
	\$ 31,093,720	27,507,438

1. Subsidiaries

Please refer to the 2020 consolidated financial report.

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2. Affiliates

The information about affiliates important to the Company is stated as follows:

Name of Affiliate	Nature of relationship with the Company	Principal business place/country where the company is registered	Proportion of ownership and voting right	
			12.31.2020	12.31.2019
UPC Technology Corp.	The affiliate of the Company which primarily engaged in producing and selling organic acid, acid anhydride and its derivatives, plastic toughener.	Taiwan	32.88%	31.89%
Linde Lienhwa Industrial Gases Co., Ltd.	The affiliate of the Company which primarily engaged in manufacturing liquid and industrial gases such as helium, hydrogen and ethyne.	Taiwan	50.00%	50.00%
MiTAC Inc. (Note)	The affiliate of the Company which primarily engaged in system integration service, automatic system, application software designing and selling of industrial computer.	Taiwan	-	-

Note: The Company acquired more than half of its BOD seats on March 28, 2019. Therefore, the investment initially under the equity method has changed to become the subsidiary of the Company. Please refer to the 2020 consolidated financial report.

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For listed affiliates important to the Company, its fair value is stated as follows:

	12.31.2020	12.31.2019
UPC Technology Corporation and its subsidiaries	\$ 8,157,715	4,716,179

The summarized financial information of affiliates important to the Company are shown below. The financial information has adjusted the amounts included in each affiliated enterprise's consolidated financial statements adopting the IFRSs to reflect the fair value adjustment made by the Company upon the acquisition of the affiliate stock and adjustment made according to the accounting policy differences:

(1) Summarized financial information of the UPC Technology Corporation and its subsidiaries

	12.31.2020	12.31.2019
Current assets	\$ 16,739,192	18,684,583
Non-current assets	27,461,445	26,472,414
Current liabilities	(5,920,830)	(10,641,914)
Non-current liabilities	(13,325,106)	(13,943,367)
Net assets	<u>\$ 24,954,701</u>	<u>20,571,716</u>
Net assets attributable to investee	<u>\$ 24,954,701</u>	<u>20,571,716</u>
	2020	2019
Operating revenue	<u>\$ 51,866,839</u>	<u>62,714,942</u>
Net profit (loss) of continuing department	\$ 2,134,320	(140,376)
Other consolidated income/loss	2,935,003	979,017
Total comprehensive income	<u>\$ 5,069,323</u>	<u>838,641</u>
Total comprehensive income attributable to investee	<u>\$ 5,069,323</u>	<u>838,641</u>
The Company's shares of the affiliated enterprise's net assets at the beginning	\$ 6,470,570	6,313,662
Total comprehensive income attributable to the Company in current period	1,726,975	238,790
Dividend acquired from affiliates in current period	(84,976)	(81,882)
Book value concerning the Company's equity in affiliates at the ending	<u>\$ 8,112,569</u>	<u>6,470,570</u>

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(2) Summarized financial information of the Linde Lienhwa Industrial Gases Co., Ltd. and its subsidiaries

	<u>12.31.2020</u>	<u>12.31.2019</u>
Current assets	\$ 11,570,239	10,197,748
Non-current assets	33,940,701	31,259,287
Current liabilities	(23,086,485)	(21,286,395)
Non-current liabilities	(5,861,465)	(5,323,800)
Net assets	<u>\$ 16,562,990</u>	<u>14,846,840</u>
Net assets attributable to non-controlling equity	<u>\$ 3,443,980</u>	<u>2,984,678</u>
Net assets attributable to investee	<u>\$ 13,119,010</u>	<u>11,862,162</u>
	<u>2020</u>	<u>2019</u>
Operating revenue	<u>\$ 25,614,444</u>	<u>23,401,293</u>
Net profit from continuing operations	\$ 4,067,424	3,941,166
Other consolidated income/loss	176,383	143,154
Total comprehensive income	<u>\$ 4,243,807</u>	<u>4,084,320</u>
Total comprehensive income attributable to non-controlling equity	<u>\$ 705,767</u>	<u>777,756</u>
Total comprehensive income attributable to investee	<u>\$ 3,538,040</u>	<u>3,306,564</u>
	<u>2020</u>	<u>2019</u>
The Company's shares of the affiliated enterprise's net assets at the beginning	\$ 5,998,488	5,461,041
Total comprehensive income attributable to the Company in current period	1,897,955	1,721,750
Dividend acquired from affiliates in current period	(1,110,271)	(1,184,303)
Book value concerning the Company's equity in affiliates at the ending	<u>\$ 6,786,172</u>	<u>5,998,488</u>

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(3) Summarized financial information of the MiTAC Inc. and its subsidiaries

	January to March, 2019
Operating revenue	<u><u>\$ 4,355</u></u>
Net profit from continuing operations	\$ 13,609
Other consolidated income/loss	<u>786,815</u>
Total comprehensive income	<u><u>\$ 800,424</u></u>
Total comprehensive income attributable to non-controlling equity	<u><u>\$ (2,553)</u></u>
Total comprehensive income attributable to investee	<u><u>\$ 802,977</u></u>

The financial information about the individually unimportant affiliates of the Company under equity method is summarized as follows. The financial information refers to the amounts included into the parent parent company only financial statements of the Company:

	12.31.2020	12.31.2019
Summarized book value of equity in individually unimportant affiliate at the ending	<u><u>\$ 81,462</u></u>	<u><u>79,595</u></u>
	2020	2019
Shares attributed to the Company:		
Net profit from continuing operations	\$ 7,551	6,283
Other consolidated income/loss	<u>-</u>	<u>-</u>
Total comprehensive income	<u><u>\$ 7,551</u></u>	<u><u>6,283</u></u>

3. Collateral

As of December 31 2020 and 2019, the affiliated enterprise investment of the Company under the equity method had not been pledged as collateral or were restricted.

(7) Business combination

1. Acquisition of subsidiaries

Since the Company acquired more than half of its BOD seats on March 28, 2019, the consolidated company has control over MiTAC Inc. Therefore, MiTAC Inc. and MiTAC Information Technology Corp., affiliates of the Company originally under the equity method, has been included in the financial statements of the subsidiaries from the day the Company acquired the control.

The Company has control over MiTAC Inc. and MiTAC Information Technology Corp. on March 28, 2019. On that date, the consolidated company re-measured the investment initially under the equity method, which was the preserved equity of the

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MiTAC Inc. and MiTAC Information Technology Corp., at fair value and recognized a total of NTD505,859 thousand from the gain on disposal of such investment and included it in other gains and losses of the comprehensive income statement. The gain on disposal includes the amount relevant to the affiliate which was initially recognized in other comprehensive income and reclassified as profit or loss and uses the fair value of such equity as the consideration of reacquisition. In addition, the above amount which the affiliate initially recognized in other comprehensive income has been reclassified to the retained earnings and the amount totaled NT\$1,278,836 thousand.

Since the Company has combined the MiTAC Inc. and MiTAC Information Technology Corp. on March 28, 2019, the Company has significant influence on the designated financial assets initially held at fair value through other comprehensive income—Lien Yung Investment Corp. and Tung Da Investment Co., Ltd. Therefore, on the date in which the Company acquires significant influence, the consolidated company re-measures the financial assets at fair value and reclassifies all of the amount relevant to the investment initially recognized in other comprehensive income and totaled NTD65,004 thousand to the retained earnings.

Also, for the information of the fair value of the identifiable assets and liabilities acquired and borne on the date of acquisition and the goodwill recognized due to acquisition, please see the 2020 consolidated statements.

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(8) Property, plant and equipment

The changes in the cost, depreciation and impairment loss of the property, plant, and equipment of the Company in 2020 and 2019 are as follows:

	Land	Building and structure	Machine & equipment	Transport ation equipment	Office equipment	Other equipment	Constructi on in progress	Total
Cost or identified cost:								
Balance, December 31, 2020	\$ -	-	-	-	-	-	-	-
(same as that in the beginning)								
Balance, January 1, 2019	\$ 320,959	1,119,829	650,711	20,421	20,373	346,643	211,193	2,690,129
Addition	-	1,894	624	-	2,820	15,285	26,271	46,894
Transferred in	-	12,255	197,725	-	-	35,048	-	245,028
Disposition	-	(49,205)	(285,676)	(9,835)	(14,415)	(122,111)	-	(481,242)
Transferred out	-	-	-	-	-	(9,145)	(216,421)	(225,566)
Spin-off and transfer to subsidiaries (please see note 7(2).11)	(320,959)	(1,084,773)	(563,384)	(10,586)	(8,778)	(265,720)	(21,043)	(2,275,243)
Balance, December 31, 2019	\$ -	-	-	-	-	-	-	-
Depreciation and impairment loss:								
Balance, December 31, 2020	\$ -	-	-	-	-	-	-	-
(same as that in the beginning)								
Balance, January 1, 2019	\$ -	619,741	472,308	18,771	17,085	229,595	-	1,357,500
Current depreciation	-	18,327	36,819	1,385	966	21,883	-	79,380
Transfer in	-	-	2,433	-	-	-	-	2,433
Disposition	-	(49,205)	(285,676)	(9,835)	(14,415)	(122,111)	-	(481,242)
Transfer out	-	-	-	-	-	(2,433)	-	(2,433)
Spin-off and transfer to subsidiaries (please see note 7(2).11)	-	(588,863)	(225,884)	(10,321)	(3,636)	(126,934)	-	(955,638)
Balance, December 31, 2019	\$ -	-	-	-	-	-	-	-
Book value:								
December 31, 2020	\$ -	-	-	-	-	-	-	-
January 1, 2019	\$ 320,959	500,088	178,403	1,650	3,288	117,048	211,193	1,332,629
December 1, 2019	\$ -	-	-	-	-	-	-	-

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1. Impairment loss and subsequent reversal

The changes in the accumulated impairment of the Company's property, plant and equipment are as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ -	253,934
Spin-off and transfer to subsidiaries (please see note 7(2).11)	-	(253,934)
Ending balance	<u>\$ -</u>	<u>-</u>

(9) Right-of-use assets

The details of changes in the cost and depreciation of the land, buildings and transportation equipment rented by the Company in 2020 and 2019 are as follows:

	<u>Land</u>	<u>Transportatio n equipment</u>	<u>Total</u>
Cost of right-of-use assets:			
Balance, December 31, 2020 (same as that in the beginning)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance, January 1, 2019	\$ -	-	-
Applicable to effects of IFRS16 retrospectively	<u>3,750</u>	<u>2,500</u>	<u>6,250</u>
Balance after restatement, January 1, 2019	3,750	2,500	6,250
Addition	-	935	935
Spin-off and transfer to subsidiaries (please see note 7(2).11)	<u>(3,750)</u>	<u>(3,435)</u>	<u>(7,185)</u>
Balance, December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>
Depreciation of right-of-use assets:			
Balance, December 31, 2020 (same as that in the beginning)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance, January 1, 2019	\$ -	-	-
Applicable to effects of IFRS16 retrospectively	<u>-</u>	<u>-</u>	<u>-</u>
Balance, January 1, 2019	-	-	-
Appropriation of depreciation	762	1,314	2,076
Spin-off and transfer to subsidiaries (please see note 7(2).11)	<u>(762)</u>	<u>(1,314)</u>	<u>(2,076)</u>
Balance, December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>
Book value:			
December 31, 2020	<u>\$ -</u>	<u>-</u>	<u>-</u>
December 1, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>

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(10) Investment property

The changes in the cost and depreciation of the Company's investment property in 2020 and 2019 are as follows:

	<u>Self-owned assets</u>		<u>Total</u>
	<u>Land and improvements</u>	<u>Building and structure</u>	
Cost or identified cost:			
Balance, January 1, 2020	\$ -	-	-
Transferred in	3,395	-	3,395
Balance, December 31, 2020	<u>\$ 3,395</u>	<u>-</u>	<u>3,395</u>
Balance, January 1, 2019	\$ 473,241	2,275,078	2,748,319
Addition	-	82	82
Disposition	-	(36,684)	(36,684)
Spin-off and transfer to subsidiaries (please see note 7(2).11)	(473,241)	(2,238,476)	(2,711,717)
Balance, December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>
Depreciation:			
Balance, January 1, 2020	\$ -	-	-
Balance, December 31, 2020	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance, January 1, 2019	\$ -	969,410	969,410
Current depreciation	-	40,643	40,643
Disposal	-	(36,684)	(36,684)
Spin-off and transfer to subsidiaries (please see note 7(2).11)	-	(973,369)	(973,369)
Balance, December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>
Book value:			
December 31, 2020	<u>\$ 3,395</u>	<u>-</u>	<u>3,395</u>
January 1, 2019	<u>\$ 473,241</u>	<u>1,305,668</u>	<u>1,778,909</u>
December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>
Fair value:			
December 31, 2020			<u>\$ 39,740</u>
December 31, 2019			<u>\$ -</u>

Investment property contains a number of commercial properties leased to others. The lease term differs in areas and the term is 1-20 years. The Company will negotiate the

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following lease term with the lessee without collecting the contingent rent. Please refer to note 6(15) for relevant information.

The fair value of investment property is based on the evaluation of the company personnel (with relevant experience and has relevant experience recently in the location and type of the investment property) in compliance with the property evaluation method of the Company. The evaluation technology of the fair value uses Class III for input. The evaluation performs the market value assessment based on the comparison approach of the Regulations on Real Estate Appraisal.

(11) Short-term loan

	<u>12.31.2020</u>	<u>12.31.2019</u>
Unguaranteed bank loans	\$ 2,700,000	4,250,000
Guaranteed bank loans	1,100,000	-
Total	<u>\$ 3,800,000</u>	<u>4,250,000</u>
Outstanding quota	<u>\$ 4,577,200</u>	<u>2,549,700</u>
Interest rate interval	<u>0.80%~0.85%</u>	<u>0.88%~0.98%</u>

As of December 31, 2020, the subsidiary-Lien Hwa Property Development Corporation provided property, plant, and equipment and investment property as guarantee for bank loans. Please refer to Note 7 for details.

(12) Short-term notes payable

	<u>12.31.2020</u>	<u>12.31.2019</u>
Commercial paper payable	\$ 800,000	600,000
Unamortized discount	(137)	(58)
	<u>\$ 799,863</u>	<u>599,942</u>
Outstanding quota	<u>\$ 530,000</u>	<u>930,000</u>
Interest rate interval	<u>0.25%~0.60%</u>	<u>0.51%~0.75%</u>

For loan term within a year, please refer to note 6(22) for relevant interest expense.

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(13) Long-term loan

The details, conditions and terms of the Company's long-term loan are as follows:

	<u>12.31.2020</u>	<u>12.31.2019</u>
Unguaranteed bank loans	\$ <u>1,300,000</u>	<u>900,000</u>
Outstanding quota	\$ <u>1,600,000</u>	<u>500,000</u>
Interest rate interval	<u>0.98%~1.00%</u>	<u>1.03%~1.05%</u>
Expiry date	<u>2021.11.21~2022.11.30</u>	<u>2021.07.12~2021.11.30</u>

(14) Lease liabilities

The amount of lease recognized in profit or loss is as follows:

	<u>2020</u>	<u>January to August, 2019</u>
Interest expense of lease liabilities	\$ <u>-</u>	<u>39</u>
Expense of low-value lease assets (excluding low-value lease of short-term lease)	\$ <u>-</u>	<u>180</u>
COVID-19-Related Rent Concession (recognized as a deduction of rent expense / a deduction of depreciation expenses of right-of-use assets / other income)	\$ <u>-</u>	<u>-</u>

The lease amount recognized in the statement of cash flows is as follows:

	<u>2020</u>	<u>January to August, 2019</u>
Total cash outflow of lease	\$ <u>-</u>	<u>2,429</u>

(15) Operating lease

When renting its investment property, because the Company does not transfer the risk and return attached to the title of assets, the lease contract is classified as operating lease. Please refer to note 6(10) Investment Property.

The lease income generated from the consolidated company's investment property in 2019 was NT\$212,578 thousand.

For information related to the split up and transfer of the Company's operating assets and liabilities to subsidiaries on September 1 2019, please see note 7(2).11.

(16) Employee benefits

1. Defined benefit plan

For the present value of the Company's defined benefit obligations and the fair value of the plan assets, the adjustments are as follows:

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	12.31.2020	12.31.2019
Present value of defined benefit obligation	\$ 1,024	726
The fair value of plan assets	(6,160)	(4,004)
Net defined benefit assets	\$ (5,136)	(3,278)

Contributions for defined benefit plans of the Company are appropriated to a dedicated pension fund account opened with Bank of Taiwan. The pension payment to each employee that is subject to the Labor Standards Act is based on the pension point received for the years of service and the average salary six months prior to the retirement.

(1) Composition of plan assets

The pension fund appropriated by the Company in accordance with the Labor Standards Act is managed by the Bureau of Labor Funds, Ministry of Labor (referred to as the “Bureau of Labor Funds” hereinafter). According to the “Guidelines for Labor Pension Fund Safekeeping and Implementation,” the annual minimum yield generated from the use of fund may not be less than the interest income generated from a local bank’s two-year time deposit.

The Company’s labor pension fund account at the Bank of Taiwan is with a balance of NT\$6,160 thousand as of the reporting date. For information of the Labor Pension Fund Asset Management, including the fund yield rate and pension asset allocation, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(2) Changes in the present value of defined benefit obligation:

The details of changes in the present value of the Company’s defined benefit obligation in 2020 and 2019 are as follows:

	2020	2019
Present value of defined benefit obligation, January 1 \$	726	101,746
Current service cost and interest	170	3,179
Re-measurement of net defined benefit liabilities (assets)		
— Actuarial gains/losses due to change of financial assumption	111	-
— Actuarial gains/losses due to empirical adjustment	17	(9,462)
Benefits planned to be paid	-	(17,450)
Spin-off and transfer to subsidiaries (please see note 7(2).11)	-	(77,287)
Present value of defined benefit obligation, December 31	\$ 1,024	726

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(3) Changes in the fair value of plan assets

The details of changes in the fair value of the Company's defined benefit plan assets in 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets, January 1	\$ 4,004	56,565
Interest income	40	570
Re-measurement of net defined benefit liabilities		
– Return on remuneration of planned assets (excluding current interest)	2,116	2,113
The amount appropriated to the plan	-	43,351
Benefits paid by the plan	-	(17,450)
Spin-off and transfer to subsidiaries (please see note 7(2).11)	-	(81,145)
Fair value of plan assets, December 31	<u>\$ 6,160</u>	<u>4,004</u>

(4) Expenses recognized in profit or loss

The details of expenses recognized in profit or loss by the Company in 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Current service cost	\$ 163	2,162
Net interest of net defined benefit liabilities (assets)	(33)	447
Effects of spin-off and transfer to subsidiaries	-	3,858
	<u>\$ 130</u>	<u>6,467</u>
	<u>2020</u>	<u>2019</u>
Operating cost	\$ -	2,986
Marketing expense	-	1,140
Management expense	130	1,425
R&D expenses	-	916
	<u>\$ 130</u>	<u>6,467</u>

In addition, NT\$8,856 thousand of pension paid to the employee by the Company in 2019 was recognized as operating expense.

(5) Actuarial assumptions

The Company's principal actuarial assumptions are as follows:

	<u>12.31.2020</u>	<u>12.31.2019</u>
Discount rate	0.63%	1.00%
Future raise rate	2.25%	2.25%

The Company does not expect to contribute to the defined benefit plan

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within one year from the 2020 reporting date.

The weighted average duration of the defined benefit plan is 30.8 years.

(6) Analysis of sensitivity

The influence of changes in the adopted principal actuarial assumptions on the present value of defined benefit obligations in December 31, 2020 and 2019 are as follows:

	Effect on defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
12.31.2020		
Discount rate	\$ (75)	82
Future raise rate	80	(74)
12.31.2019		
Discount rate	\$ (55)	59
Future raise rate	58	(54)

Said analysis of sensitivity refers to the analysis of the effect produced by any change of single hypothesis under the circumstance that the other hypotheses remain unchanged. In practice, a lot of changes in hypotheses might be linked with each other. The analysis of sensitivity adopted the same method used for calculation of net benefit liabilities on the balance sheet.

The methods and hypotheses used by the analysis of sensitivity prepared in the current period are identical with those used in the previous period.

For information related to the split up and transfer of the Company's operating assets and liabilities to subsidiaries on September 1 2019, please see note 7(2).11.

2. Defined contribution plan

The Company's defined contribution plan is based on the Labor Pension Act. An amount equivalent to 6% of the monthly wages is appropriated to the personal labor pension accounts of the Bureau of Labor Insurance. In this plan, after appropriating a fixed amount to the Bureau of Labor Insurance, the Company has no legal or constructive obligation to make additional contribution.

The Company's pension expense as of 2020 and 2019 under the defined contribution plan amounted to NT\$328 thousand and NT\$4,731 thousand, respectively, and it has been appropriated to the Bureau of Labor Insurance already.

(17) Income tax

1. Income tax expenses

The details of income tax expenses of the Company in 2020 and 2019 are as follows:

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	<u>2020</u>	<u>2019</u>
Income tax expenses in current period		
Generated in current period	\$ 10,989	61,944
Adjustment to previous year's income tax expense	(1,772)	-
	<u>9,217</u>	<u>61,944</u>
Deferred income tax expenses		
Occurrence and reversal of temporary difference	72	5,381
Income tax expenses	<u>\$ 9,289</u>	<u>67,325</u>

The relationship between the Company's income tax expenses and net income before tax in 2020 and 2019 is adjusted as follows:

	<u>2020</u>	<u>2019</u>
Net income before tax	<u>\$ 3,108,019</u>	<u>2,834,141</u>
Income tax calculated based on the income tax rate of \$ the country the Company operates	621,604	566,828
Nontaxable income	(524,722)	(329,353)
Adjustment not attributable to temporary difference	(94,307)	(205,526)
Unrecognized changes in temporary difference	-	4,659
Overestimation in previous period	(1,772)	-
Imposition on undistributed earnings	<u>8,486</u>	<u>30,717</u>
Total	<u>\$ 9,289</u>	<u>67,325</u>

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2. Deferred income tax assets and liabilities

(1) Recognized deferred income tax assets and liabilities

The changes in the deferred income tax assets and liabilities in 2020 and 2019 are as follows:

	Long-term investment under the equity method	Unrealized exchange gain	Land incremental tax	Total
Deferred income tax liabilities:				
Balance, January 1, 2019	\$ (5,872)	(1,355)	(93,543)	(100,770)
(Debit) credit profit and loss	5,872	1,355	-	7,227
Spin-off and transfer to subsidiaries (please see note 7(2).11)	-	-	93,543	93,543
Balance, December 31, 2019	\$ -	-	-	-
Deferred income tax assets:				Others
Balance, January 1, 2020				\$ 72
(Debit) credit profit and loss				(72)
Balance, December 31, 2020				\$ -
Balance, January 1, 2019				\$ 12,680
(Debit) credit profit and loss				(12,608)
Balance, December 31, 2019				\$ 72

3. Authorization of income tax

The income tax returns of the Company's profit-seeking business have been audited by the tax authorities up to 2019.

(18) Capital and other equity

1. Issuing of common shares

The total authorized capital of the Company was NT\$15,000,000 thousand at NT\$10 par value with 1,500,000 thousand as of both December 31, 2020 and 2019. The total authorized capital stated above were common shares and the shares issued were 1,281,498 thousand and 1,104,740 thousand shares, respectively.

The outstanding stock of the Company in 2020 and 2019 is adjusted as follows:

(Stated in thousand shares)

	Common shares	
	2020	2019
Beginning balance, January 1	1,104,740	1,052,133
Capitalization of retained earnings	176,758	52,607
Ending balance, December 31	1,281,498	1,104,740

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2. Capital surplus

The balance of the Company's capital surplus is as follows:

	12.31.2020	12.31.2019
Stock premium	\$ 289,318	289,318
Treasury stock trading	30,441	20,925
Changes in the net equity of the affiliated company and joint venture are recognized in accordance with the equity method.	536,785	454,878
	\$ 856,544	765,121

Pursuant to the Company Act, the capital surplus shall be first used to offset losses, then new shares or cash may be allocated based on realized capital surplus subject to shareholding ratio. The term realized capital surplus mentioned above includes the shares issued at premium exceeding the par value and the gains in the form of gifts. According to the Regulations Governing the Offering and Issuance of Securities by the Issuer, the capital surplus that can be capitalized annually shall not exceed 10% of the total paid-in capital.

3. Retained earnings

Pursuant to the Company's Articles of Incorporation, if the Company has annual earnings, it shall first pay taxes, make up any losses from past years and then appropriate 10% as legal reserves, unless the legal reserve reaches the amount of the Company's paid-in capital; if necessary, make provision of special reserves according to the laws and the needs of company operation. The residual earnings shall be added to undistributed earnings at the beginning. The Board of Directors shall draft a motion for the distribution of the residual earnings and submit to the shareholders' meeting for distribution.

The Company is now at the stable growth stage and most of the earnings are from the investees recognized under the equity method. For the sustainable operation and long-term development of the company, the Company shall appropriate 10% of the earnings concluded at year-end as legal reserve and appropriate or reverse the special reserve according to the laws and regulations besides offsetting the accumulated losses and paying all taxes. When distributing the remaining earnings with the accumulated earnings undistributed in the previous year in the form of new shares, the Board of Directors shall propose a motion and submit it to the shareholders' meeting for approval before distribution. In accordance with Article 240 Paragraph 5 of the Company Act, if the aforementioned earnings are distributed in the form of cash, approval for such distribution should be passed by at least half of the Directors in attendance in a Board meeting attended by no less than two-thirds of

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all Board members. The results should then be reported during a shareholders' meeting.

The directors' meeting shall consider the financial structure of the Company, future funding demand and profit-seeking conditions to plan the ratio of the earning distribution and shareholder's cash dividends and the cash dividends shall not be less than 10% of the total dividends.

(1) Legal reserve

When the Company suffers no loss, new shares or cash may be allocated from the legal reserve upon resolution of the shareholders' meeting, provided that the new shares or cash allocated shall be no more than 25% of the paid-in capital

(2) Special reserve

When first applying the IFRS approved by the FSC, the Company chose to adopt the exemption in IFRS 1 "First-time Adoption of International Financial Reporting Standards". The unrealized revaluation increment under the shareholder's equity was stated following the rule of using the fair value on the conversion date as the recognized cost to increase retained earnings. Pursuant to the regulations of Gin-Guan-Zheng-Fa-Zi No.1010012865 issued on April 6, 2012, a same amount of special reserves should be stated. When relative assets were used, disposed or reclassified, the original rate to state the special reserves could be used to reverse the allocation of earnings.

The special reserves balances on December 31, 2020 and 2019 were both NT\$141,843 thousand.

According to the regulations above, when the Company distributes the distributable earnings, for the deduction net amount of other shareholders' equity stated in the current year and the difference of special reserves balance stated above, the special reserves shall be stated from current profit or loss and the undistributed earnings in the previous period. For the deduction amount of other shareholders' equity in the previous period, special reserves shall be stated from undistributed earnings in the previous period and shall not be distributed. If the deduction amount of other shareholders' equity reverses, the earnings of the reversing part can be distributed.

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(3) Distribution of earnings

The proposals for the earning distribution for the year of 2019 and 2018 were resolved in the shareholder's meetings on June 23, 2020 and June 25, 2019.

The dividend amount distributed to the shareholders is as follows:

	2019		2018	
	Share distribution rate (NT\$)	Amount	Share distribution rate (NT\$)	Amount
Dividend distributed to common stock shareholders:				
Cash	\$ 1.60	\$ 1,767,584	1.60	1,683,413
Stock	1.60	<u>1,767,584</u>	0.50	<u>526,067</u>
Total		<u>\$ 3,535,168</u>		<u>2,209,480</u>

The proposal for the distribution in 2020 was drafted in the meeting of the board of directors on March 30, 2021. The dividend amount distributed to the shareholders is as follows. Other than the cash dividend, other items on the earning distribution form need to be recognized by the shareholders:

	2020	
	Share distribution rate (NT\$)	Amount
Dividend distributed to common stock shareholders:		
Cash	\$ 1.70	2,178,547
Stock	1.00	<u>1,281,498</u>
Total		<u>\$ 3,460,045</u>

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4. Treasury stocks

The list of stocks of the Company held by the subsidiaries on December 31, 2020 and 2019 is as follows:

<u>Ledger account</u>	<u>12.31.2020</u>			<u>12.31.2019</u>		
	Number of shares (thousand shares)	Cost	market price	Number of shares (thousa nd shares)	Cost	market price
Financial assets measured at fair values through other comprehensive profit or loss- current	1,734	\$ 47,895	73,851	1,494	47,895	55,221
Financial assets measured at fair values through other comprehensive profit or loss- non-current	5,165	136,868	220,039	4,453	136,868	164,531

Pursuant to the Securities and Exchange Act, the treasury stocks held by the subsidiaries cannot be pledged. And before the transfer, the shareholder's right is not permitted.

5. Other equity (net amount after tax)

	<u>Exchange difference in the financial statements of foreign operations</u>	<u>Unrealized profit or loss of the financial assets measured at fair values through other comprehensive profit or loss</u>
Balance, January 1, 2020	\$ (384,933)	2,879,610
Exchange difference gathered for the calculation of net assets of foreign operations	116,743	-
Share of the exchange difference of subsidiaries and affiliated companies under the equity method	62,608	-
Unrealized profit or loss of the financial assets measured at fair values through other comprehensive profit or loss	-	945,670
Disposal of equity instrument measured at fair value through other comprehensive income	-	(126,675)
Shareholding in unrealized profit or loss of the financial assets measured at fair values through other comprehensive profit or loss of the subsidiaries, affiliated companies under the equity method	-	2,265,295
Balance, December 31, 2020	<u>\$ (205,582)</u>	<u>5,963,900</u>

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	Exchange difference in the financial statements of foreign operations	Unrealized profit or loss of the financial assets measured at fair values through other comprehensive profit or loss
Balance, January 1, 2019	\$ (195,325)	2,491,349
Exchange difference gathered for the calculation of net assets of foreign operations	85,132	-
Disposal of investments under the equity method that is reclassified as profit or loss	16,802	(1,278,836)
Share of the exchange difference of subsidiaries and affiliated companies under the equity method	(291,542)	-
Unrealized profit or loss of the financial assets measured at fair values through other comprehensive profit or loss	-	758,031
Disposal of equity instrument measured at fair value through other comprehensive income	-	(65,004)
Shareholding in unrealized profit or loss of the financial assets measured at fair values through other comprehensive profit or loss of the subsidiaries, affiliated companies under the equity method	-	974,070
	\$ (384,933)	2,879,610
Balance, December 31, 2019	\$ (384,933)	2,879,610

(19) EPS

1. Basic earnings per share

Basic earnings per share of the Company in 2020 and 2019 was calculated based on the net profit attributed to common stock shareholders of the Company and weighted average outstanding shares of common stocks. The calculation is as follows:

(1) Net profit attributed to common stock shareholders of the Company

	2020	2019
Net income attributable to the Company's common stock shareholders:	\$ 3,098,730	2,766,816

(2) Weighted average outstanding shares of common stocks (thousand shares)

	2020	2019
Common stocks issued on January 1	1,104,740	1,104,740
Effect of the treasury stock	(6,899)	(6,899)
Effect of the stock dividend	176,758	176,758
Weighted average outstanding shares of common stocks on December 31	1,274,599	1,274,599
Basic earnings per share (NTD)	\$ 2.43	2.17

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2. Diluted earnings per share

Diluted earnings per share in 2020 and 2019 was calculated based on the net profit attributed to common stock shareholders of the Company and weighted average outstanding shares of common stocks with adjusted diluted effect of all potential common stocks. The calculation is as follows:

(1) Net profit attributed to common stock shareholders of the Company (diluted)

	2020	2019
Net profit attributed to common stock shareholders of the Company (diluted)	\$ 3,098,730	2,766,816

(2) Weighted average outstanding shares of common stocks (diluted) (thousand shares)

	2020	2019
Weighted average outstanding shares of common stocks (basic)	1,274,599	1,274,599
Effect of employee stock compensation	94	260
Balance of weighted average outstanding common shares on December 31 (diluted)	1,274,693	1,274,859
Diluted earnings per share (NTD)	\$ 2.43	2.17

(20) Revenue from contracts with customers

1. Income details

	2020			Total
	Rental business	Noodle business	Other departments	
Main area and market:				
Taiwan	\$ -	-	582,955	582,955
Others	-	-	472,842	472,842
	\$ -	-	1,055,797	1,055,797
Main product:				
Investment revenue	\$ -	-	1,055,797	1,055,797

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	2019			
	Rental business	Noodle business	Other departments	Total
Main area and market:				
Taiwan	\$ 212,578	2,437,197	296,951	2,946,726
People's Republic of China	-	572	-	572
Others	-	65,237	-	65,237
	\$ 212,578	2,503,006	296,951	3,012,535
Main product:				
Product sale	\$ -	2,503,006	-	2,503,006
Investment	212,578	-	-	212,578
property and rental revenue				
Investment revenue	-	-	296,951	296,951
	\$ 212,578	2,503,006	296,951	3,012,535

(21) Remunerations to Directors and employees

According to the Articles of Incorporation, annual profits concluded by the Company shall be subject to employee remuneration of no less than 0.1% in 2020 and 2019. In addition, directors' remuneration may be provided up to 1% of the annual profit. However, profits must first be taken to offset against cumulative losses if any. Employees' remuneration, as mentioned above, can be paid in shares or cash to employees of affiliated companies that satisfy certain criteria.

The amounts of employee remuneration in 2020 and 2019 were estimated at NT\$3,120 thousand and NT\$2,837 thousand, respectively. The amounts of director's remuneration were NT\$9,100 thousand and NT\$8,400 thousand, respectively in 2020 and 2019. These estimates were made by applying the Company's before-tax profits with the deduction of the remunerations to employees and directors. Besides, the appropriate percentages for the remuneration to employees and directors were referenced and past experience was referred for the estimation. The operating cost and expense in 2020 and 2019 were stated. All relevant information is available on the Market Observation Post System.

The above amounts of remuneration to employees and Directors were consistent with the amounts reported in the Company's 2020 and 2019 standalone financial report.

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(22) Non-operating revenue and expense

1. Interest income

The Company's interest income as of 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 700	5,428
Other interest income	129	4,718
	<u>\$ 829</u>	<u>10,146</u>

2. Other revenue

The Company's other revenues as of 2020 and 2019 were as follow:

	<u>2020</u>	<u>2019</u>
Dividend income	\$ 267,758	241,685
Labor service revenue	-	1,148
	<u>\$ 267,758</u>	<u>242,833</u>

3. Other profit and loss

The Company's other profit and loss in 2020 and 2019 were as follow:

	<u>2020</u>	<u>2019</u>
Gain on foreign exchange	\$ 4,457	12,304
Disposal of investment gain	-	505,859
Other revenue	9,079	15,983
Other expense	(1,196)	(612)
	<u>\$ 12,340</u>	<u>533,534</u>

4. Financial cost

The Company's financial cost in 2020 and 2019 were as follow:

	<u>2020</u>	<u>2019</u>
Interest expense	<u>\$ 53,663</u>	<u>50,635</u>

(23) Financial instruments

1. Credit risk

(1) Credit risk exposure

As of December 31, 2020 and 2019, the maximum credit risk exposure amount due to the financial loss caused by undelivered obligation of the counterparty or financial guarantees provided by the Company was mainly from:

- The book value of financial assets recognized in the balance sheet; and
- The financial guarantee provided by the Company was USD23,500 thousand and NT\$3,650,000 thousand, as of December 31, 2020; USD23,500 thousand and NT\$2,500,000 thousand as of December 31, 2019.

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(2) Concentration of credit risk

The Company's major potential credit risk was from cash and cash equivalents. The Company's cash is deposited in different financial institutions, and thus there is no significant concentration of credit risk of cash and cash equivalents.

2. Liquidity risk

The contract maturities of financial liabilities are illustrated in the table below, including the estimated interest but not the impact of net amount agreed.

	<u>Book</u> <u>value</u>	<u>Contractual</u> <u>cash flows</u>	<u>Within 6</u> <u>months</u>	<u>6-12</u> <u>months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5</u> <u>years</u>
12.31.2020							
Non-derivative financial liabilities							
Unsecured short-term notes	\$ 799,863	806,480	3,240	803,240	-	-	-
Unguaranteed bank loans	4,000,000	4,047,470	17,335	2,717,335	1,312,800	-	-
Guaranteed bank loans	1,100,000	1,110,725	5,225	1,105,500	-	-	-
Other payable	<u>52,678</u>	<u>52,678</u>	<u>52,678</u>	-	-	-	-
	<u>\$ 5,952,541</u>	<u>6,017,353</u>	<u>78,478</u>	<u>4,626,075</u>	<u>1,312,800</u>	<u>-</u>	<u>-</u>
12.31.2019							
Non-derivative financial liabilities							
Unsecured short-term notes	\$ 599,942	606,000	3,000	603,000	-	-	-
Unguaranteed bank loans	5,150,000	5,209,963	24,813	4,275,880	909,270	-	-
Accounts payable	8,558	8,558	8,558	-	-	-	-
Other payable	<u>539,977</u>	<u>530,977</u>	<u>530,977</u>	-	-	-	-
	<u>\$ 6,298,477</u>	<u>6,355,498</u>	<u>567,348</u>	<u>4,878,880</u>	<u>909,270</u>	<u>-</u>	<u>-</u>

The company does not expect the maturity analysis of cash flows will be significantly pre-matured or the actual amount will be significantly different.

3. Exchange rate risk

(1) Exchange rate risk exposure

The company's financial assets and liabilities exposed to significant foreign exchange rate risk is as follows:

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		12.31.2020	
	Foreign currency (thousand)	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
RMB	\$ 770	RMB: NTD = 4.377	3,370
		12.31.2019	
	Foreign currency (thousand)	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 1,381	USD:NTD = 29.980	41,396
RMB	856	RMB: NTD = 4.305	3,686

(2) Sensitivity analysis

The exchange rate risk of the monetary account of the Company is mainly from foreign currency denominated cash and cash equivalent as well as accounts receivable. Foreign exchange gain and loss arise from the translation. If the main accounting currency used for preparing the reports on December 31, 2020 and 2019 appreciated or depreciated 1%, under the condition that all other factors stayed unchanged, the net profit after tax would increase NT\$27 thousand in 2020 and decreased NT\$361 thousand in 2019.

(3) Exchange gain or loss of monetary items

In consideration of multiple functional currency types used in the Company, the information about exchange gain or loss for currency is disclosed by summarization. The foreign currency exchange gain (including the realized and unrealized) was NT\$4,457 thousand and NT\$12,304 thousand in 2020 and 2019.

4. Interest rate analysis

Please refer to the note regarding liquidity risk management for the interest rate risk exposure of the Company's financial assets and financial liabilities.

The following sensitivity analyzes are based on the interest rate risk exposure of the derivative and non-derivative instruments on the reporting date. The analysis of floating rate liabilities is by assuming the outstanding liability amount on the reporting date stays outstanding the entire year. The rate of change used in the Company's internal report to the management was the interest rate with an increase or decrease of 0.5%. In addition, the interest rate is assessed within the reasonable

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and possible range of change by the management.

If interest rate is increased or decreased by 0.5%, with all other variables stayed unchanged, the Company's net profit would decrease by NT\$23,600 thousand in 2020 and increase by NT\$23,000 thousand in 2019 due to the change in interest rate made by the Company.

5. Other pricing risk

The impact of the changes in equity price on the reporting date (the analysis of two terms is completed by using the same basis, and assuming all other variables held constant) on the comprehensive profit and loss is as follows:

Stock price on the reporting date	2020		2019	
	Other comprehensive profit or loss after tax	Profit or loss after tax	Other comprehensive profit or loss after tax	Profit or loss after tax
Increased by 3%	\$ 185,051	-	157,015	-
Decreased by 3%	(185,051)	-	(157,015)	-

6. Information about fair value

1. Type and fair value of the financial instrument

Financial assets measured at fair values through other comprehensive profit or loss by the Company is based on repetition and measured at fair value. The book value and fair value of different financial assets and liabilities (including fair value rating information, but financial instruments not measured at fair value but with a book value close to the reasonable amount of fair value and leasing liabilities are not required for the disclosure of fair value according to the regulations) are listed down below:

	12.31.2020				
	Book value	Fair value			Total
		Class I	Class II	Class III	
Financial assets at fair value through other comprehensive income					
Domestic listed (OTC) stock	\$ 6,168,359	6,168,359	-	-	6,168,359
Domestic unlisted (OTC) stock	409,334	-	-	409,334	409,334
Subtotal	6,577,693	6,168,359	-	409,334	6,577,693
Financial assets measured at amortized cost					
Cash and cash equivalent	138,569	-	-	-	-
Other receivable	617	-	-	-	-
Guarantee deposits paid	2,671	-	-	-	-
Subtotal	141,857	-	-	-	-
Total	\$ 6,719,550	6,168,359	-	409,334	6,577,693

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	12.31.2020				
	Book value	Fair value			Total
		Class I	Class II	Class III	
Financial liabilities measured at amortized cost					
Short-term loans	\$ 3,800,000	-	-	-	-
Short-term notes payable	799,863	-	-	-	-
Other payable	52,678	-	-	-	-
Long-term loan	1,300,000	-	-	-	-
Total	<u>\$ 5,952,541</u>	-	-	-	-
	12.31.2019				
	Book value	Fair value			Total
		Class I	Class II	Class III	
Financial assets at fair value through other comprehensive income					
Domestic listed (OTC) stock	\$ 5,233,821	5,233,821	-	-	5,233,821
Domestic unlisted (OTC) stock	404,802	-	-	404,802	404,802
Subtotal	<u>5,638,623</u>	<u>5,233,821</u>	<u>-</u>	<u>404,802</u>	<u>5,638,623</u>
Financial assets measured at amortized cost					
Cash and cash equivalent	118,566	-	-	-	-
Notes and accounts receivable	8,524	-	-	-	-
Other receivable	118,492	-	-	-	-
Guarantee deposits paid	2,671	-	-	-	-
Subtotal	<u>248,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,886,876</u>	<u>5,233,821</u>	<u>-</u>	<u>404,802</u>	<u>5,638,623</u>
Financial liabilities measured at amortized cost					
Short-term loans	\$ 4,250,000	-	-	-	-
Short-term notes payable	599,942	-	-	-	-
Accounts payable	8,558	-	-	-	-
Other payable	561,574	-	-	-	-
Long-term loan	900,000	-	-	-	-
Total	<u>\$ 6,320,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(2) Evaluation technology of the fair value for the financial instrument measured at fair value

Non-derivative instruments

If a financial instrument has a quoted price in the active market, the quoted price will be the fair value. The market price announced by the Taiwan Stock Exchange Corporation is the basis for the fair value of the listed (OTC) equity instrument.

If the open quotation of the financial instrument can be timely and frequently acquired from the exchanges, brokers, underwriters, industrial unions, pricing service institutions or competent authorities and the price represents the actual and fair market transaction which occurs frequently, then the financial

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instrument has a open quotation of the active market. If the conditions mentioned above are not fulfilled, the market is not viewed as a active one. Generally, great bid-ask spread, significant increase in bid-ask spread or less trading volume are indexes of inactive market.

If the financial instrument possessed by the Company is in the active market, its fair value is listed by category and attribute below:

The fair value of financial assets and liabilities and listed company (OCT) stocks with standard terms/conditions and traded in the active market shall be decided subject to the market quotation.

Except for the financial instrument in the active market stated above, the fair value of other financial instruments is determined in accordance with the generally accepted pricing models based on the cash flow discount analysis.

If the financial instrument possessed by the Company is in the inactive market, its fair value is listed by category and attribute below:

Equity instrument with no open quotation: the fair value is measured using the cash flow discount model. The main assumption is to apply the expected cash flow estimated by the investee to reflect the time value of money and the risk and rate of return on investment and measure with the discount. When adopting the market approach to measure the fair value, the main assumption uses the quotation of the listed (OCT) company to calculate the P/S ratio (sales multiple) and applies it on the measurement. The discount effect resulting from the lack of market liquidity of the equity security is considered and the estimated number has been adjusted.

(3) Transfer between Class I and Class II

There was no transfer of financial assets from Class II to Class I in 2020 and 2019.

(4) Details of change in Class III

	Measuring at fair values through other comprehensive profit or loss
	Equity instrument with no open quotation
January 1, 2020	\$ 404,802
Total profit or loss	
Recognized in other comprehensive income	11,132
Refunds from decapitalization	(6,600)
December 31, 2020	\$ 409,334

Lien Hwa Industrial Holdings Corporation
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	Measuring at fair values through other comprehensive profit or loss <hr/> Equity instrument with no open quotation <hr/>
January 1, 2019	\$ 501,064
Total profit or loss	
Recognized in other comprehensive income	(123,605)
Purchase	37,500
Refunds from decapitalization	(10,157)
December 1, 2019	<u><u>\$ 404,802</u></u>

The above total profits or losses are stated in “unrealized valuation gain (loss) of financial assets measured at fair value through other comprehensive profit or loss”. Items related to the assets possessed as of December 31, 2020 and 2019 were as follow:

	2020	2019
Total profit or loss		
Recognized in other comprehensive profit and loss (stated in “unrealized valuation gain (loss) of financial assets measured at fair value through other comprehensive profit or loss”)	\$ 11,132	(123,605)

(5) Quantitative data used on measuring the fair value of the unobservable major input (Class III)

The Company’s item that is measured at fair value and classified as Class III includes financial assets measured at fair value through other comprehensive profit or loss.

Most of the fair value of the Company has only one unobservable major input. Only the equity instrument investment that is not in an active market has multiple unobservable major inputs. The unobservable major inputs of the equity instrument investment that is not in an active market are separated from one another. They are not relevant to each other.

For some of the Company’s equity investment instruments that do not have an active market quotation and with the purpose not for short-term trading, the management will refer to the recent financial report of the invested company, evaluate the industry development and examine the information that is available

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to the public. Based on those information, the Company assesses the operating status and future operating performance of the invested company. And after that the fair value of the invested company will be estimated. The change in the industry and future of the market is in highly positive correlation with the change of the invested company's operation and future performance.

The quantitative data of the unobservable major input are as follow:

<u>Item</u>	<u>Evaluation technology</u>	<u>Unobservable major input</u>	<u>Relationship between the unobservable major input and the fair value</u>
Financial assets measured at fair values through other comprehensive profit or loss- equity instrument investment that is not in an active market	Discounted cash flow method	<ul style="list-style-type: none"> · Long-term revenue growth rate (1.88% and 3.00% as of 12.31.2020 and 12.31.2019) · Weighted average cost of capital (4.35% and 8.57% as of 12.31.2020 and 12.31.2019) · Discount for lack of marketability (21.48% and 19.97% as of 12.31.2020 and 12.31.2019) · Discount for minority interest (28.21% and 21.45% as of 12.31.2020 and 12.31.2019) 	<ul style="list-style-type: none"> · The higher the weighted average cost of capital, discount for minority interest and discount for lack of marketability are, the lower the fair value is. · The higher the long-term revenue growth rate is, the higher the fair value is.

(6) Fair value measurement of Class III. Fair value is used for the sensitivity analysis of reasonably possible alternative.

The fair value measurement of the Company's financial instrument is reasonable. If different valuation model or valuation parameter is used, it might result in different valuation results. For the financial instrument classified as Class III, if the valuation parameter has changed, its effect on the current profit and loss or other comprehensive profit or loss is listed as follows:

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			Change in fair value reflected on other comprehensive profit or loss		
Input			Increase or decrease	Advantageo us change	Disadvanta geous change
December 31, 2020					
Financial assets at fair value through other comprehensive income					
Equity instrument not in an active market	Weighted average cost of capital	0.5%	\$ 27,006	(18,710)	
Equity instrument not in an active market	Discount rate	0.5%	567	(567)	
			\$ 27,573	(19,277)	
12.31.2019					
Equity instrument not in an active market	Weighted average cost of capital	0.5%	\$ 8,440	(7,250)	
Equity instrument not in an active market	Discount rate	0.5%	790	(790)	
			\$ 9,230	(8,040)	

The advantageous and disadvantageous change of the Company is the change in fair value. The fair value is based on unobservable input parameters of different levels and calculated using the evaluation technology. The fair value of the financial instrument might be affected by more than 1 input value. The above table only reflects the effect resulting from a single input value change. The relevance between and variability in the input values are not taken into account.

(24) Financial risk management

1. Overview

The Company is exposed to the following risks due to the use of the financial instruments:

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

The Company's risk exposure information and the Company's measurement and risk management objectives, policies, and procedures are expressed in this Note.

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Please refer to the notes to the standalone financial statements for further quantitative disclosure.

2. Risk management structure

The board of directors is fully responsible for the establishment and supervision of the Company's risk management structure. The board of directors has authorized a responsible department as appropriate. The department is responsible for developing and controlling the risk management policies of the Company. Besides, it is required to report its operation to the board of directors regularly.

Internal audit staff will assist the Company's board of directors to play the supervisory role. These personnel conduct regular and extraordinary review for the risk management control mechanism and procedure. The review result will be reported to the board of directors.

3. Credit risk

Credit risk is the risk of financial losses faced by the company when the counterparty of financial instruments trade is unable to meet its contractual obligations. It is mainly from the Company's securities investments.

(1) Investment

The credit risk of bank deposits and other financial instruments is measured and monitored by the Finance Department of the Company. The Company's trading counterparty and performing party are reputable banks, investing financial institutions and corporate organizations with no significant performance concerns. Therefore, there is no significant credit risk.

(2) Guarantee

Pursuant to the Company's regulations, the subject to whom the Company provides financial guarantees to shall be meet the criteria in the "Guidelines for Endorsements and Guarantees". The subsidiaries receiving the Company's endorsement and guarantee as of December 31, 2020 are detailed in note 13.

4. Liquidity risk

Liquidity risk is the risk that the company unable to pay cash or financial asset to settle the financial liability and unable to perform its obligations. The Company managed the liquidity in a manner ensuring that the Company has sufficient working fund to repay matured liabilities under the general and critical circumstances, so as to avoid unacceptable loss or impairment on the Company's goodwill.

The Company ensures that it has sufficient cash to meet the need for expected operating expenditure for 60 days, including performance of financial obligation, but excluding the potential effect which it is impossible to expect reasonably under

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extreme circumstances such as natural disaster. Besides, the unused loan amounts of the Company as of December 31, 2020 and 2019 were NT\$6,707,200 and NT\$3,979,700 thousand respectively.

5. Market risk

Market risk is the risk that the market price change, such as exchange rate, interest rate and equity instrument price change, will affect the profit or value of the financial instrument possessed by the Company. The objective of market risk management is to control the market risk exposure within the affordable range and to optimize return on investment.

(1) Exchange rate risk

The Company is exposed to exchange rate risk resulting from the sale, procurement and load transactions measured with a currency other than the functional currency of the Company. The Company uses New Taiwan Dollar as the main functional currency. These transactions are denominated in major currencies of New Taiwan Dollar, Hong Kong Dollar and US Dollar.

(2) Interest rate risk

The rate risk of the Company comes from the floating-rate of the long-term and short-term loans. The change of rate will result in changes in the effective rate of long-term and short-term loans. Therefore, the future cash flow will also change. Relative interest rate analysis is detailed in note 6(23).

(25) Capital management

The policy of the board of directors maintains the basis of unimpaired capital. It helps maintain the confidence of the investor, creditor and market. It also supports future operating development. Capital includes stock, additional paid-in capital, retained earnings, and other equity of the Company. The board of directors controls the return on capital. It also controls the dividend quality of common shares.

The debt to equity ratio on the reporting date is as follows:

	12.31.2020	12.31.2019
Total liabilities	\$ 6,025,334	6,454,226
Minus: Cash and cash equivalent	(138,569)	(118,566)
Net liabilities	\$ 5,886,765	6,335,660
Total capital	\$ 31,801,933	26,998,388
Debt to equity ratio	18.51%	23.47%

The company's capital management method has not been changed as of December 31, 2020.

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(26) Non cash transactions investing/financing activities

	<u>1.1.2020</u>	<u>Cash flow</u>	<u>Non cash change Changes in fair value</u>	<u>12.31.2020</u>
Long-term loan	\$ 900,000	400,000	-	1,300,000
Short-term loans	4,250,000	(450,000)	-	3,800,000
Short-term notes payable	599,942	199,921	-	799,863
Total liabilities from financing activities	<u>\$ 5,749,942</u>	<u>149,921</u>	<u>-</u>	<u>5,899,863</u>

	<u>1.1.2019</u>	<u>Cash flow</u>	<u>Non cash change Changes in fair value</u>	<u>12.31.2019</u>
Long-term loan	\$ 900,000	-	-	900,000
Short-term loans	3,750,000	500,000	-	4,250,000
Short-term notes payable	499,900	100,000	42	599,942
Total liabilities from financing activities	<u>\$ 5,149,900</u>	<u>600,000</u>	<u>42</u>	<u>5,749,942</u>

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VII. Transactions with related party

(1) Names of related parties and their relationship with the company

Related parties that have performed transactions with the Company during the period of the parent company only financial statement include:

<u>Name of related party</u>	<u>Relationship with the Company</u>
Hua Cheng Investment Co., Ltd.	Subsidiary of the Company
Lien Rui Investment Corp.	Subsidiary of the Company
Jian Foods Incorporation	Subsidiary of the Company
Oggi Restaurant Group Co., Ltd.	Subsidiary of the Company
Camel Ring International Company	Subsidiary of the Company
Fortune Dragon Holding Inc.	Subsidiary of the Company
Sun Lead International Limited	Subsidiary of the Company
Pacific Gateway Holdings Inc.	Subsidiary of the Company
Hifood Co., Ltd.	Subsidiary of the Company
Yantai Taihwa Food Industrial Co., Ltd.	Subsidiary of the Company
Hifood(Shanghai) Co., Ltd.	Subsidiary of the Company
Lien Hwa Milling Corporation	Subsidiary of the Company
Lien Hwa Property Development Corporation	Subsidiary of the Company
Lien Hwa Industrial Corp. (Original name: Lien Hwa Co., Ltd.)	Subsidiary of the Company
MiTAC Inc.	Subsidiary of the Company (Note 1)
Mix System Holdings Ltd.	Subsidiary of the Company (Note 2)
Ho Li Investment Co., Ltd.	Subsidiary of the Company (Note 2)
MiTAC Hikari Corp.	Subsidiary of the Company (Note 2)
Mitac Investment China Co., Ltd.	Subsidiary of the Company (Note 2)
Mitac (Shanghai) Business Management Consulting Co., Ltd.	Subsidiary of the Company (Note 2)
MiTAC Information Technology Corp.	Subsidiary of the Company (Note 1)
MiTAC Communication Co., Ltd.	Subsidiary of the Company (Note 2)
Claridy Solutions, Inc.	Subsidiary of the Company (Note 2)
Samoa Mitac Information Holding Ltd.	Subsidiary of the Company (Note 2)
Aidixun Investment Co., Ltd.	Subsidiary of the Company (Note 2)
Claridy Solutions (Wuxi), Inc.	Subsidiary of the Company (Note 2)
Claridy Solutions (Nanjing), Inc.	Subsidiary of the Company (Note 2)
Claridy Smart Solutions (Beijing) Co., Ltd.	Subsidiary of the Company (Note 2)
Linde Lienhwa Industrial Gases Co., Ltd.	Affiliated enterprise of the Company

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UPC Technology Corp.	Affiliated enterprise of the Company
Lien Hwa Cryo Equipment Co., Ltd.	Subsidiary of the Company's affiliated company
Asia Union Electronic Chemical Corp.	Subsidiary of the Company's affiliated company
Far Eastern Industrial Gases Co., Ltd.	Subsidiary of the Company's affiliated company
Yuan Rong Industrial Gases Co., Ltd.	Subsidiary of the Company's affiliated company
Lien Fung Precision Technology Development Co., Ltd.	Subsidiary of the Company's affiliated company
Lien Tong Gases Co., Ltd.	Subsidiary of the Company's affiliated company
Lien Quan Industrial Gases Co., Ltd.	Subsidiary of the Company's affiliated company
Tung Bao Corporation	Subsidiary of the Company's affiliated company
Yih Yuan Investment Corp.	The juridical person representative of the Company is the representative of the juridical person chairman of the company given above
MiTAC International Corporation	The chairman of the Company is the representative of the juridical person chairman of the company given above
Harbinger Venture Management Co., Ltd.	The chairman of the Company is the representative of the juridical person chairman of the company given above
Getac Technology Corp.	The chairman of the Company is the juridical person representative of the company given above
Synnex Technology International Corp.	The chairman of the Company is the chairman of the company given above

Note 1: It used to be one of the Company's affiliated companies. The company was listed as a subsidiary in the parent company only financial statements since March 28, 2019.

Note 2: It used to be one of the subsidiary of the Company's affiliated companies. The company was listed as a subsidiary in the parent company only financial statements since March 28, 2019.

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(2) Material transactions with related parties

1. Operating revenue

The amount of material transactions between the Company and related parties is as follows:

	2019
Subsidiary	\$ 306
Affiliates	3
	\$ 309

The price of the Company's sale to related parties was not significantly different from the Company's general selling price. The collection term is O/A 30 to 60 days. No collateral is collected for the accounts receivable of related parties. After assessment, not bad debt shall be recognized. In addition, the Company had no sales to related parties in the year 2020.

2. Renting to related parties

The revenue of leased assets collected from related parties by the Company is as follow:

	2019
Subsidiary	\$ 9,076
Affiliated enterprise:	
Linde Lienhwa Industrial Gases Co., Ltd.	31,358
Other affiliated enterprise:	19,860
Other related party:	
Getac Technology Corp.	35,655
Other related party	93
	\$ 96,042

The Company has split the asset leasing business related leasing business to the Company's subsidiary-Lien Hwa Property Development Corporation on September 1, 2019. The start and end dates of the Company's leases of its leased assets are between January 1, 2013 to December 31, 2023. The rent of above lease assets took reference from the assessed present value or predetermined value and the Company negotiated the price. In addition, the Company has not rented assets to related parties in the year 2020.

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3. Purchase

The Company's purchase value to related parties are stated as follows:

	2019
Subsidiary	\$ 43
Affiliates	32
	\$ 75

The price of the Company's purchase from related parties is not significantly different from the Company's price of purchase from the general suppliers. The payment term is 1 to 2 months and is not significantly different from the general vendors. In addition, the Company made no purchase from related parties in the year 2020.

4. Receivable accounts-related parties

The Company's receivable accounts-related parties are stated as follows:

Title	Type	12.31.2020	12.31.2019
Other receivable	Lien Hwa Milling Corporation	\$ -	116,792

The aforementioned accounts receivable is the amount for purchase of wheat on others' behalf.

5. Payable accounts-related parties

The Company's payable accounts-related parties are stated as follows:

Title	Type	12.31.2020	12.31.2019
Other payable	Subsidiary	\$ 3,302	3,962
	Other related party	-	250
		\$ 3,302	4,212

6. Purchased equipment

The total price spent by the Company on purchasing equipment for operation from affiliated companies in 2019 was NT\$1,206 thousand.

7. Loaning of funds to related parties

The Company's loaning of funds to the related parties is stated as follows (recognized in other receivables):

	12.31.2020	12.31.2019
Subsidiaries:		
Jian Foods Incorporation	\$ -	1,500

The Company's loaning of funds to the related party is with interest accrued at the average interest rate of short-term loans received from financial institutions in the year of fund appropriation. The loans are unsecured loans and shall not be

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recognized as impairment loss after assessment. The interest income arising from loaning to related parties amounted to NT\$129 thousand and NT\$4,688 thousand for the years 2020 and 2019, respectively.

8. Loan from related parties

The Company's loan from related parties are stated as follows:

	12.31.2020	12.31.2019
Subsidiaries:		
Lien Hwa Property Development Corporation	\$ -	500,000

The Company's loaning of funds from the related party is with interest accrued at the average interest rate of short-term loans received from financial institutions in the year of fund appropriation. The loans are unsecured loans. The rent income arising from the investment property amounted to NT\$ 4,732 thousand and NT\$ 426 thousand as of 2020 and 2019, respectively.

9. Other

The Company sold factory land to Lienhwa Industrial Gases Co., Ltd. in 1985 and 1998. The sales revenue was NT\$71,934 thousand. Since the company is not sold, the company stated the deferred credits as company profits.

Please refer to Note 13(1) for the guarantee provided by the Company's subsidiary-Lien Hwa Property Development Corporation as of December 31, 2020 for the Company's borrowings.

10. Endorsement/guarantee

Please see note 13(1) for the endorsement and guarantee made by the Company due to the financing loan of the subsidiaries in December 31, 2020.

11. Transaction of split up and transfer

September 1, 2019 was the base date of Company demerger. The business related to the flour business and the rental business were split and transferred to the 100%-owned subsidiaries, Lien Hwa Milling Corporation and Lien Hwa Property Development Corporation, respectively, then the two subsidiaries issued new shares to the Company as consideration. According to the book value of the net operating assets of the flour and rental business (in case of asset impairment, the amount after loss recognition shall be the basis), the common stock exchanged by the Company at par value of NTD10 per share from Lien Hwa Milling Corporation and Lien Hwa Property Development Corporation were 100,000 thousand shares and 200,000 thousand shares respectively without recognizing the profit and loss. The book value of the assets and liabilities demerged and transferred by the Company is as follows:

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	Lien Hwa Milling Corporation	Lien Hwa Property Development Corporation
Assets:		
Current assets	\$ 889,854	914,239
Property, plant and equipment	799,062	520,543
Investment property	-	1,738,348
Other non-current assets	6,128	5,444
Liabilities:		
Current liabilities	(91,799)	(34,952)
Non-current liabilities	(3,245)	(143,622)
Net book value of demerger	\$ 1,600,000	3,000,000

(III) Key management personnel transactions

Remuneration to key management personnel includes the following:

	2020	2019
Short-term employee benefits	\$ 18,819	23,145
Post-employment benefits	64	2,501
Other long-term benefits	13	-
	\$ 18,896	25,646

VIII. Pledged Assets

The book value of the Company's pledged assets is as follows:

Assets name	Charged and pledged guarantees	12.31.2020	12.31.2019
Guarantee deposits paid		\$ 2,671	2,671

IX. Significant contingent liabilities and unrecognized contractual commitments: None.

X. Losses due to major disasters: None.

XI. Materiality after the period: None.

XII. Others

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(I) Classification of employee benefits, depreciation, depletion and amortization expenses by function is summarized as follows:

By nature	2020			2019		
	Classified as operating cost	Classified as operating expense	Total	Classified as operating cost	Classified as operating expense	Total
Employee benefit expense						
Salary expense	—	22,438	22,438	64,950	82,602	147,552
Labor and health insurance expense	—	1,086	1,086	5,454	6,930	12,384
Pension expense	—	458	458	5,123	14,931	20,054
Remuneration of Directors	—	10,120	10,120	—	9,392	9,392
Other employee welfare expense	—	498	498	6,068	6,578	12,646
Depreciation expense	—	—	—	104,031	18,068	122,099
Amortization expense	—	—	—	1,653	2,157	3,810

The information about employees and salary of the Company for the years ended December 31, 2020 and 2019 are as below:

	2020	2019
Employees	14	196
Non-employee directors	7	7
Average employee benefits (Note1)	3,497	1,019
Average salary	3,205	781
Average salary adjustment	310.37%	9.08%
Remuneration of Supervisor	—	—

Note1 : Not included Remuneration of Directors.

The company's salary and remuneration policy (including director, manager and staff) are as follows:

(1) Director

In accordance with recommendations rendered by the Remuneration Committee of Lien Hwa Industrial Holdings Corp (thereinafter LHIHC), merit reward and travel allowance for members of the Board of Directors have been approved.

The remuneration amount is in compliance with Article 28 of LHIHC bylaws and shall not exceed one percent of LHIHC's annual net income when applicable.

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The recommendation is deliberated with consideration of multiple indexes, including but not limited to industry-wide remuneration data, time invested and complexity of responsibilities.

The recommendation is deliberated by the remuneration committee and reviewed by members of the Board before being presented to the annual general meeting.

(2) Manager

LHIHC evaluates a manager's merit with consideration of job complexity, quantity of responsibilities, personal performance achievements, internal fairness ratings, operating performance relevant to the position and industry-wide remuneration data. The recommendation is deliberated by the remuneration committee before being presented in the Board meeting for approval.

The remuneration amount of our managers is in compliance with Article 28 of LHIHC by laws and shall not exceed more than one thousandth of LHIHC's annual net income when applicable.

(3) Staff

LHIHC evaluates a staff's merit with consideration of job complexity, quantity of responsibilities, personal performance achievements, internal fairness ratings, operating performance relevant to the position and industry-wide remuneration data. The recommendation is deliberated by the Human Resource Department before being presented to the managers of authority for approval.

The remuneration amount of our staff members is in compliance with Article 28 of LHIHC bylaws and shall not exceed more than one thousandth of LHIHC's annual net income when applicable.

LHIHC also takes staff compliance record with the Code of Conduct, performance evaluation and bonus distribution rules into consideration when recommending relevant awards.

XIII. Supplementary disclosure

(I) Information on material transactions

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the company should also disclose the information about material transactions in 2020:

1. Loaning of funds to others:

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Unit: NTD thousand

No.	Lender	Borrowing company (Note 8)	Account titles	Related party	Current maximum amount	Ending balance	Drawdown	Interest rate interval	Nature of loaning of funds (Note 1)	Business transaction amount	Reasons of necessary short-term financing	Amount recognized in loss allowance	Collateral		Limit of loans to individual borrowers	Limit of total loans
													Name	Value		
0	Lien Hwa Industrial Holdings Corporation	Fortune Dragon Holding Inc.	Other receivable	Yes	302,500	284,800	-	1.10%	2	-	Operating turnover	-	-	-	3,180,193	6,360,387
0	"	Jian Foods Incorporation	"	"	100,000	-	-	-	2	-	"	-	-	-	3,180,193	6,360,387
1	Lien Hwa Property Development Corporation	Lien Hwa Milling Corporation	"	"	300,000	-	-	-	2	-	"	-	-	-	898,017	898,017
1	"	Lien Hwa Industrial Holdings Corporation	"	"	500,000	-	-	-	2	-	"	-	-	-	898,017	898,017
2	Fortune Dragon Holding Inc.	Yantai Taihwa Food Industrial Co., Ltd.	"	"	595,925	284,800	284,800	-	2	-	"	-	-	-	5,255,503	7,357,704
2	"	Hifood Co., Ltd.	"	"	21,175	19,936	16,234	1.10%	2	-	"	-	-	-	2,102,201	7,357,704
2	"	Hifood(Shanghai) Co., Ltd.	"	"	60,500	14,240	14,240	-	2	-	"	-	-	-	2,102,201	7,357,704
3	MiTAC Inc.	MiTAC Information Technology Corp.	"	"	500,000	500,000	-	-	2	-	"	-	-	-	1,802,478	3,604,956
4	MiTAC Information Technology Corp.	MiTAC Communication Co., Ltd.	"	"	80,000	80,000	10,000	1.05%	2	-	"	-	-	-	555,284	555,284

Note 1: 1. A business associate.

2. Company that needs short-term financing.

Note 2: The limit amount of loans to each borrower shall not exceed 10% of the net value of the recent financial statements audited or reviewed by the CPA. And the total limit of loans shall not exceed 20% of that.

Note 3: The limit amount of loans to each borrower and the total limit of loans of Lien Hwa Property Development Corporation shall not exceed 40% of the net value of the recent financial statements audited or reviewed by the CPA.

Note 4: If both the borrower and lender are a foreign company that the parent company owns directly or indirectly with 100% of voting rights, the limit amount for the Fortune Dragon Holding Inc. to loan to each borrower and the limit amount of total loans shall not exceed 100% of the net value of the recent financial statements audited or reviewed by the CPA. If the borrower and lender do not meet the above criteria, the amount shall not exceed 40%. The above amount loaned shall not exceed 140% in total.

Note 5: The limit amount of loans of MiTAC Inc. to each borrower shall not exceed 10% of the net value of the recent financial statements audited or reviewed by the CPA. And the total limit of loans shall not exceed 20% of that.

Note 6: The limit amount of loans to each borrower and the total limit of loans of the MiTAC Information Technology Corp. shall not exceed 40% of the net value of the recent financial statements audited or reviewed by the CPA.

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2. Making endorsements/guarantees for others:

Unit: NTD thousand

No.	Endorsing/guaranteeing company	Endorsed/guaranteed company		Limit amount of endorsement/guarantee to a single enterprise	Current maximum endorsement/guarantee balance	Current endorsement/guarantee - ending	Drawdown	Endorsement/guarantee amount secured with property as collateral	Ratio of the cumulative endorsement/guarantee amount to the net worth in the most recent financial statements	Maximum endorsements/guarantees	Endorsement / guarantee made by the parent company for its subsidiaries	Endorsements/guarantees made by the subsidiaries for its parent company	Endorsement/guarantee made for the operations in Mainland China
		Company name	Relationship (No./1)										
0	Lien Hwa Industrial Holdings Corporation	Pacific Gateway Holdings Inc.	2	31,801,933	211,750	199,360	-	-	0.63%	31,801,933	Y	N	N
0	"	Fortune Dragon Holding Inc.	2	31,801,933	499,125	469,920	-	-	1.48%	31,801,933	Y	N	N
0	"	Lien Hwa Milling Corporation	2	31,801,933	2,550,000	2,550,000	670,162	-	8.02%	31,801,933	Y	N	N
0	"	Lien Hwa Property Development Corporation	2	31,801,933	1,300,000	1,100,000	-	-	3.46%	31,801,933	Y	N	N
1	Lien Hwa Property Development Corporation	Lien Hwa Industrial Holdings Corporation	3	6,735,129	4,024,390	4,024,390	1,524,390	4,024,390	179.26%	6,735,129	N	Y	N
2	MiTAC Inc.	MiTAC Information Technology Corp.	1	18,024,782	4,775,082	2,649,346	1,059,409	353,009	14.70%	18,024,782	N	N	N
3	MiTAC Information Technology Corp.	MiTAC Communication Co., Ltd.	2	1,388,210	57,125	50,000	6,009	-	3.60%	1,388,210	N	N	N
3	"	Claridy Solutions, Inc.	2	1,388,210	32,000	32,000	19,275	-	2.31%	1,388,210	N	N	N
3	"	Claridy Solutions (Nanjing), Inc.	2	1,388,210	170,942	-	-	-	- %	1,388,210	N	N	Y
4	MiTAC Communication Co., Ltd.	MiTAC Information Technology Corp.	3	200,000	11,288	11,288	-	-	15.10%	200,000	N	N	N

Note 1: The relationship between the endorsing/guarantying subject and the endorsed/guaranteed subject is classified into 3 categories as follows:

1. A business associate.
2. The Company holds the majority shareholdings with voting rights of the company directly and indirectly.
3. The company holds the majority shareholdings with voting rights of the Company directly and indirectly.

Note 2: The endorsement and guarantee amount made by the Company shall not exceed 100% of the net value in the most recent financial statements. The endorsement and guarantee amount made by the Company to a single subsidiary shall not exceed 100% of the net value in the most recent financial statements.

Note 3: The limit of the endorsement and guarantee amount made by Lien Hwa Property Development Corporation to a single company shall not exceed 300% of the net value in the most recent financial statements of Lien Hwa Property Development Corporation audited or reviewed by the CPA.

Note 4: The limit of the endorsement and guarantee amount made by MiTAC Inc. to a single company shall not exceed 100% of the net value in the most recent financial statements of MiTAC Inc. audited or reviewed by the CPA.

Note 5: The limit of the endorsement and guarantee amount made by MiTAC Information Technology Corp. to a single company shall not exceed 100% of the net value in the most recent financial statements of MiTAC Information Technology Corp. audited or reviewed by the CPA.

Note 6: The limit of the endorsement and guarantee amount provided by MiTAC Communication Co., Ltd. to MiTAC Information Technology Corp. shall not exceed 30% of the net value in the most recent financial statements of MiTAC Information Technology Corp. audited or reviewed by the CPA or NTS\$200,000 thousand, whichever is lower. The total amount shall not exceed NTS\$200,000 thousand.

Lien Hwa Industrial Holdings Corporation

Notes to the Parent Company Only Financial Statements

3. Marketable securities held at yearend (excluding the equity held by invested subsidiaries, affiliated enterprises and joint ventures):

Unit: NTD Thousand/ Thousand shares

Company in possession	Type and name of marketable securities	Relationship with the security issuer	Ledger account	Year end				Remarks
				Number of shares (Number of unit)	Book value	Percentage held	Fair value (Note 1, 3)	
Lien Hwa Industrial Holdings Corporation	Great Wall Enterprise Co., Ltd.	The Company is the juridical person director of the company	Financial assets measured at fair values through other comprehensive profit or loss-non-current	17,580	893,065	2.12%	893,065	
"	MiTAC Holdings Corp.	The chairman of the company is the one of the Company	"	85,942	2,535,287	7.12%	2,535,287	
"	Synnex Technology International Corp.	"	"	49,893	2,344,977	2.99%	2,344,977	
"	Pao Long International Co., Ltd.	-	"	2,365	42,460	1.57%	42,460	
"	Getac Technology Corp.	The chairman of the Company is the representative of the juridical person director of the company	"	7,210	352,569	1.22%	352,569	
"	Taian Insurance Co., Ltd.	-	"	921	22,743	0.31%	22,743	
"	China Trade and Development Corp.	-	"	50	1,213	0.08%	1,213	
"	Formosa Golf and Country Club Corp.	-	"	2	321	0.01%	321	
"	Hsin Yu Energy Development Co., Ltd.	-	"	6,076	-	2.44%	-	
"	Harbinger Venture Capital Corp.	The Company is the juridical person chairman of the company	"	7	59	3.35%	59	
"	Harbinger VI Venture Capital Corp.	-	"	2,809	36,211	9.96%	36,211	
"	Asia-Pacific Emerging Industry Venture Capital Co., Ltd.,	The Company is the juridical person director of the company	"	2,340	29,924	3.33%	29,924	
"	Harbinger VII Venture Capital Corp.	The chairman of the Company is the representative of the juridical person chairman of the company	"	10,000	151,648	9.39%	151,648	
"	Shihlien Fine Chemicals Co., Ltd.	The Company is the juridical person vice chairman of the company	"	35,384	89,077	13.61%	89,077	
"	B Current Impact Investment Inc.	-	"	500	4,517	6.25%	4,517	
"	Harbinger VIII Venture Capital Corp.	-	"	7,500	73,622	11.57%	73,622	
Hua Cheng Investment Co., Ltd.	Lien Hwa Industrial Holdings Corporation	The company invests the Company and evaluates it under the equity method.	"	141	6,006	0.01%	6,006	Note 2
"	Waffer Technology Corp.	-	"	2	29	- %	29	
"	Shihlien Fine Chemicals Co., Ltd.	-	"	1	6	- %	6	
"	Harbinger Venture Management Co., Ltd.	-	"	863	16,969	19.99%	16,969	
Fortune Dragon Holding Inc.	Budworth Investment Limited	-	"	30	10	3.33%	10	
"	Asia Global Venture Capital Co., Ltd	-	"	646	25,566	10.00%	25,566	
"	Harbinger Ruyi Venture Limited	-	"	500	9,488	14.29%	9,488	
"	Asia Global Venture Capital II Co., Ltd	-	"	231	7,920	3.00%	7,920	
"	Ever Victory Global Limited.	-	"	72,810	2,166,220	11.76%	2,166,220	
"	eT Capital, L.P.	-	"	-	164,943	11.15%	164,943	
"	Acorn Accelerator I, L.P.	-	"	700	19,148	9.95%	19,148	
Sun Lead International Limited	KELINGTON GROUP BERHAD	-	"	19,818	227,394	6.16%	227,394	
MiTAC Inc.	Lien Hwa Industrial Holdings Corporation	Parent company	"	5,024	214,033	0.39%	214,033	Note 2
"	Ares International Corp.	The Company is the juridical person director of the company	"	1,486	40,579	3.15%	40,579	
"	Synnex Technology International Corp.	The chairman of the company is the one of the Company	"	255,321	12,000,090	15.31%	12,000,090	
"	MiTAC Holdings Corp.	"	"	104,431	3,080,717	8.66%	3,080,717	

Lien Hwa Industrial Holdings Corporation

Notes to the Parent Company Only Financial Statements

Company in possession	Type and name of marketable securities	Relationship with the security issuer	Ledger account	Year end				Remarks
				Number of shares (Number of unit)	Book value	Percentage held	Fair value (Note 1, 3)	
"	EasyCard Investment Holding Co., Ltd.	-	"	6,538	86,890	6.28%	86,890	
"	Far Eastern Electronic Toll Collection Co, Ltd.	The Company is the juridical person director of the company	"	27,723	196,886	9.24%	196,886	
"	Digital economy limited partnership	-	"	-	32,979	6.29%	32,979	
"	Harbinger VII Venture Capital Corp.	The chairman of the company is the one of the Company	"	10,000	151,643	9.39%	151,643	
"	Harbinger III Venture Capital Corp.	"	"	6	118	6.00%	118	
MiTAC Inc.	Harbinger Venture Capital Corp.	The chairman of the company is the one of the Company	"	19	168	9.50%	168	
"	LienJie II Investment Co., Ltd.	-	"	1,625	21,259	16.25%	21,259	
"	Harbinger VIII Venture Capital Corp.	The chairman of the company is the one of the Company	"	5,000	49,292	7.71%	49,292	
"	ProMOS Technologies Inc.	-	"	44	-	0.10%	-	
"	General Motors corporate bond	-	"	500	-	- %	-	
"	Fu Xing Capital Limited Partnership	-	"	-	99,137	12.82%	99,137	
"	CTCI Corporation	-	"	7,593	290,053	0.99%	290,053	
"	UUPON INC.	-	"	996	8,685	15.00%	8,685	
Mix System Holdings	Budworth Investment Limited	-	"	91	30	10.00%	30	
"	Dyna comware	-	"	21	1,625	0.97%	1,625	
"	Harbinger Ruyi II Venture Limited	-	"	5	23,934	16.13%	23,934	
Ho Li Investment Co., Ltd.	MiTAC Inc.	Parent company	"	2,244	113,553	0.63%	113,553	Note 2
"	MiTAC Information Technology Corp.	Fellow subsidiary of the parent company	"	-	2	- %	2	
"	Harbinger VI Venture Capital Corp.	The chairman of the parent company is its chairman	"	1,873	23,636	6.64%	23,636	
"	Far Eastern Electronic Toll Collection Co, Ltd.	The parent company is its director	"	5,256	37,316	1.75%	37,316	
"	UPC Technology Corp.	The chairman of the parent company is its chairman	Financial assets measured at fair values through other comprehensive profit or loss-current	7,467	143,372	0.56%	143,372	
"	Synnex Technology International Corp.	"	"	460	21,620	0.03%	21,620	
"	Lien Hwa Industrial Holdings Corporation	Ultimate parent company	"	1,734	73,851	0.14%	73,851	Note 2
"	MiTAC Holdings Corp.	The chairman of the parent company is its chairman	"	4,386	129,391	0.36%	129,391	
"	Getac Technology Corp.	Invested company of MiTAC Holdings Corporation under the equity method	"	4,858	237,556	0.83%	237,556	
"	Waffer Technology Corp.	-	"	1	19	- %	19	
"	Chailease Holding Co., Ltd.	-	"	150	14,940	- %	14,940	
Shen Tong International Management Consulting Co., Ltd.	Mitac (Shanghai) Computer Co., Ltd.	-	Financial assets measured at fair values through other comprehensive profit or loss-non-current	800	3,492	10.00%	3,492	
"	Financial products of Shanghai Pudong Development Bank Co., Ltd.	-	Financial assets measured at fair values through profit or loss-current	-	73,242	- %	73,242	
MiTAC Information Technology Corp.	Fubon Chi-Hsiang Money Market Fund	-	"	794	12,554	- %	12,554	
Claridy Solutions (Wuxi), Inc.	Cash financing No. 1	-	"	-	14,186	- %	14,186	
Claridy Smart Solutions (Beijing) Co., Ltd.	e-Flexible Express	-	"	-	10,694	- %	10,694	

Note 1: For the listed (OCT) company with a public market price, the closing price on the last transaction date in the accounting period would be used.

Note 2: The Company's stocks possessed by subsidiaries have been deducted from the book value. The stocks are disposed as treasury stocks.

Note 3: The market price listed by the non-listed (OCT) company is the equity net value. Some of it is listed in the financial statements of the same period that is prepared by the invested company or reviewed or audited by the CPA.

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

4. The amount of the accumulated purchase or sale of the same securities is over NT\$300 million or 20% of the paid-in capital:

Unit: NTD Thousand/ Thousand shares

Buying/selling company	Type and name of marketable securities	Ledger account	Trading counterpart	Relationship	Beginning of the period		Buy		Sell				Yearend	
					Number of shares	Amount	Number of shares	Amount (Note)	Number of shares	Selling price	Book cost	Disposal gain or loss	Number of shares	Amount
Fortune Dragon Holding Inc.	Ever Victory Global Ltd.	Equity instrument investment measured at fair value through other comprehensive profit or loss	-	-	44,537	1,318,414	28,273	847,806	-	-	-	-	72,810	2,166,220
MiTAC Inc.	Synnex Technology International Corp.	"	-	Same person as the Chairman	240,827	9,031,015	14,494	2,969,075	-	-	-	-	255,321	12,000,090

Note: Including the adjustments for change in the recognized amount.

5. Purchase amount of real property that exceeds NTD300 million or 20% of the paid-in capital: None.
6. Amount for the disposal of real property exceeds NTD300 million or 20% of the paid-in capital: None.
7. Amount of the purchase from and the sale to related parties exceeds NTD100 million or 20% of the paid-in capital: None.
8. Amount receivable from related parties exceeds NTD100 million or 20% of the paid-in capital: None.

Unit: NTD thousand

Stated company of account receivable	Name of the trading counterpart	Relationship	Balance of receivable accounts-related parties	Turnover rate	Overdue receivable accounts-related parties		Subsequent recovered amount of receivable accounts-related parties	Appropriated allowance for bad debt
					Amount	Treatment		
Fortune Dragon Holding Inc.	Yantai Taihwa Food Industrial Co., Ltd.	Parent-subsidiary	284,800	-	-		-	-
"	Boc Lienhwa (B.V.I) Holding Co., Ltd.	Affiliates	250,854	-	-		-	-

9. Engaging in derivative transactions: None.
- (2) Information about invested business:
- The information about invested business (excluding the invested business in Mainland China) of the company in 2020 is as follows:

Lien Hwa Industrial Holdings Corporation

Notes to the Parent Company Only Financial Statements

Unit: NTD Thousand/ Thousand shares

Name of investment company	Name of invested company	Location	Main business	Original investment amount		Held at yearend			Investee income recognized in the current period	Investment income recognized in the current period	Remarks
				End of the period	End of last year	Number of shares	Ratio	Book value			
Lien Hwa Industrial Holdings Corporation	UPC Technology Corp.	Taipei City	Organic acid, acid anhydride and its derivatives, plastic toughener, etc.	3,142,213	3,142,213	424,881	32.88%	8,112,569	2,134,320	693,227	
"	Linde Lienhwa Industrial Gases Co., Ltd.	"	Production of fluids, nitrogen, hydrogen, acetylene and other industrial gases.	400,000	400,000	1,886	50.00%	5,522,690	2,338,902	1,169,451	
"	MiTAC Inc.	"	General investment	731,636	731,636	125,710	35.46%	6,595,097	708,524	236,890	Subsidiary Note 1 and 2
"	MiTAC Information Technology Corp.	"	Integrated system service, automatic system, applied software design and sale of industrial computer	1,289,599	1,289,599	65,900	43.93%	641,759	(147,901)	(64,418)	Subsidiary Note 4
Lien Hwa Industrial Holdings Corporation	Hua Cheng Investment Co., Ltd.	Taipei City	General investment	476,000	476,000	71,500	100.00%	833,452	17,618	17,423	Subsidiary Note 1
"	Lienhwa United LPG Co., Ltd.	"	Installation, purchase/sale and technical maintenance of the equipment for propane, butane and the mixture.	62,253	62,253	6,848	24.04%	81,462	31,403	7,551	
"	Lien Rui Investment Corp.	"	General investment	523,500	463,500	17,335	100.00%	93,104	(33,089)	(33,109)	Subsidiary Note 4
"	Fortune Dragon Holding Inc.	B.V.I.	"	3,737,817	3,312,626	120,155	100.00%	5,255,503	472,842	472,842	Subsidiary
"	Lien Hwa Milling Corporation	Taipei City	Manufacturing and sale of flour	1,601,000	1,601,000	100,100	100.00%	1,712,040	290,139	290,511	Subsidiary Note 4
"	Lien Hwa Property Development Corporation	"	Rental and leasing business	3,001,000	3,001,000	200,100	100.00%	2,245,043	135,658	135,658	Subsidiary
"	Lien Hwa Industrial Corp.	"	General investment	1,000	1,000	100	100.00%	1,001	-	-	"
Hua Cheng Investment Co., Ltd.	UPC Technology Corp.	Taipei City	Organic acid, acid anhydride and its derivatives, plastic toughener, etc.	54,933	54,933	4,732	0.37%	92,332	2,134,320	7,897	
"	MiTAC Inc.	"	General investment	84,354	84,354	6,840	1.93%	374,882	708,524	13,400	Subsidiary Note 2
"	MiTAC Information Technology Corp.	"	Integrated system service, automatic system, applied software design and sale of industrial computer	140,128	140,128	9,004	6.00%	87,496	(147,901)	(8,874)	Subsidiary
"	Jian Foods Incorporation	"	Wholesaling and retailing business	10	10	-	- %	-	(26,984)	(1)	"
"	Camel Ring International Company	"	"	10	10	1	0.16%	11	(6)	-	"
"	Lien Yung Investment Corp.	"	General investment	87,969	87,969	9,217	19.99%	120,901	11,314	2,262	
"	Tung Da Investment Co., Ltd.	"	"	72,699	72,699	4,848	19.99%	137,647	13,666	2,732	
Lien Rui Investment Corp.	Jian Foods Incorporation	"	Wholesaling and retailing business	381,000	321,000	8,189	95.86%	56,023	(26,984)	(23,670)	Subsidiary
"	Oggi Restaurant Group Co., Ltd.	"	Restaurant business	35,000	35,000	3,500	100.00%	29,215	(6,673)	(6,673)	"
"	New Plus Food & Beverage Co., Ltd.	Taichung City	"	99,995	99,995	7,000	50.00%	-	(2,521)	(289)	
"	Farmdirect Corp.	Taoyuan City	Wholesaling and retailing business	13,500	13,500	600	31.58%	-	(7,127)	-	
"	Camel Ring International Company	Taipei City	"	6,465	2,090	642	99.84%	6,718	(6)	(5)	Subsidiary
Fortune Dragon Holding Inc.	Pacific Gateway Holdings Inc.	B.V.I.	General investment	1,186,793	916,163	39,461	100.00%	621,953	(18,294)	(18,294)	"
"	Pink Sky Investment Inc.	"	"	-	19,650	-	- %	-	-	-	Note 5
"	Boc Lienhwa (B.V.I) Holding Co., Ltd.	"	"	1,744	1,744	50	50.00%	1,263,482	1,017,785	484,515	Note 3
"	Hifood Co., Ltd.	Cayman Islands	"	470,630	470,630	14,150	65.81%	145,050	11,543	7,597	Subsidiary
"	Sun Lead International Limited	B.V.I.	"	73,525	73,525	3	100.00%	248,068	2,476	2,476	"

Lien Hwa Industrial Holdings Corporation

Notes to the Parent Company Only Financial Statements

Name of investment company	Name of invested company	Location	Main business	Original investment amount		Held at yearend			Investee income recognized in the current period	Investment income recognized in the current period	Remarks
				End of the period	End of last year	Number of shares	Ratio	Book value			
MiTAC Inc.	Mix System Holdings Ltd.	"	"	268,342	268,342	8,610	100.00%	399,423	608	608	"
"	Ho Li Investment Co., Ltd.	Taipei City	"	564,035	564,035	82,234	100.00%	1,155,407	28,597	25,927	Subsidiary Note 1
"	MiTAC Hikari Corp.	"	System integration service	30,000	30,000	3,000	50.00%	2,797	(4,377)	(2,188)	Subsidiary
"	MiTAC Information Technology Corp.	"	Integrated system service, automatic system, applied software design and sale of industrial computer	345,898	345,501	34,712	23.14%	321,249	(147,901)	(34,226)	"
Mix System Holdings	Mitac Investment China Co. Ltd.	B.V.I.	General investment	166,065	166,065	5,450	100.00%	233,385	752	752	"
Ho Li Investment Co., Ltd.	Lien Yung Investment Corp.	Taipei City	"	87,969	87,969	9,217	19.99%	120,927	11,314	3,038	"
"	Tung Da Investment Co., Ltd.	"	"	72,691	72,691	4,848	19.99%	137,647	13,666	2,731	"
MiTAC Information Technology Corp.	MiTAC Communication Co., Ltd.	Taipei City	Sale, rental and maintenance of telephone switching systems and data communication products, communication system project contracting	201,312	201,312	20,000	100.00%	74,742	6,195	6,195	Subsidiary
"	Claridy Solutions, Inc.	Hsinchu City	Consulting for and development of libraries and information systems	50,000	50,000	5,000	100.00%	58,051	(1,835)	(1,835)	"
"	Samoa Mitac Information Holding Ltd.	Samoa	General investment	166,915	154,096	5,395	100.00%	113,806	4,876	4,876	"
Samoa Mitac Information Holding Ltd.	Aidixun Investment Co.Ltd.	"	"	163,512	150,693	7,315	100.00%	112,539	5,488	5,488	"

Note 1: The Company's stocks possessed by subsidiaries have been deducted from the book value. The stocks are disposed as treasury stocks.

Note 2: Differences are amortized in the acquired net assets of investees

Note 3: The differences arose from preferred share dividends.

Note 4: The difference between the book value and investment gains (losses) recognized in the current period and the difference in investee arose from side stream transactions.

Note 5: Dissolved upon the resolution by the board of directors on December 15, 2020.

(3) Information about the investment in China:

1. Relative information about the invested business in Mainland China:

Unit: NTD thousand

Name of the invested company in China (Note 2)	Main business	Paid-in capital amount	Investment method (Note 1)	Accumulated investment amount remitted from Taiwan at the beginning of current period	Investment amount remitted or recovered in the current period		Accumulated investment amount remitted from Taiwan at the end of current period	Investee income recognized in the current period	Direct and indirect shareholding of the Company	Highest shareholding in the interim or contribution status	Investment income recognized in the current period	Investment book value at year end	Investment revenue received in the current period
					Remittance	Collection							
Yantai Taihwa Food Industrial Co., Ltd. (II).1	Manufacturing and sale of flour and flour processed food	1,232,224	(II)	961,594	270,630	-	1,232,224	(17,571)	100.00%	100.00%	(17,571)	615,515	-
Yantai Tailiang Food Industrial Co., Ltd. (II).2	Manufacturing and sale of peanut and peanut food	32,480	(II)	19,488	-	-	19,488	-	- %	60.00%	-	-	-
Hifood(Shanghai) Co., Ltd. (II).2	Rental and leasing business	656,700	(II)	408,880	-	-	408,880	12,719	65.81%	65.81%	8,370	155,562	-
Fujian Fuhua Gases Co., Ltd. (II).2 and 3	Research and development of industrial gases, development and technical service of electronics industrial gases	824,911	(II)	416,367	-	416,367	-	(13,185)	25.00%	25.00%	(3,296)	184,776	-
BOCLH Industrial Gases(Shanghai) Co., Ltd (II). 2 and 3	Mainly in the business of gas production	580,438	(II)	1,744	-	-	1,744	83,546	50.00%	50.00%	41,773	207,657	-
Lien Xiong Investment (Shanghai) Co., Ltd. (II). 2 and 3	General investment	5,725,631	(II)	-	-	-	-	919,327	50.00%	50.00%	459,664	3,781,656	-

Lien Hwa Industrial Holdings Corporation
Notes to the Parent Company Only Financial Statements

Name of the invested company in China (Note 2)	Main business	Paid-in capital amount	Investment method (Note 1)	Accumulated investment amount remitted from Taiwan at the beginning of current period	Investment amount remitted or recovered in the current period		Accumulated investment amount remitted from Taiwan at the end of current period	Investee income recognized in the current period	Direct and indirect shareholding of the Company	Highest shareholding in the interim or contribution status	Investment income recognized in the current period	Investment book value at year end	Investment revenue received in the current period
					Remittance	Collection							
Shengpin Precision Gas (Shanghai) Co., Ltd. (II). 2 and 3	Mainly in the business of gas production	729,024	(II)	-	-	-	-	191,292	50.00%	50.00%	95,646	465,234	-
Lien Hwa Precision Gas (Chengdu) Co., Ltd. (II). 2 and 3	"	501,638	(II)	-	-	-	-	11,963	50.00%	50.00%	5,981	260,631	-
Lien Hwa Precision Gas (Dalian) Co., Ltd. (II). 2 and 3	"	478,312	(II)	-	-	-	-	122,058	50.00%	50.00%	61,029	335,577	-
Linde Lienhwa Gases (Wuhan) Co., Ltd. (II).2 and 3	Mainly in the business of gas production	629,663	(II)	-	-	-	-	141,778	50.00%	50.00%	70,889	378,843	-
Linde Lienhwa Gases (Chengdu) Co., Ltd. (II).2 and 3	"	718,696	(II)	-	-	-	-	87,748	50.00%	50.00%	43,874	396,083	-
Mitac (Shanghai) Business Management Consulting Co., Ltd. (II).2	Business management consulting, business information consulting and system integration services	82,898	(II)	31,708	-	-	31,708	(229)	100.00%	100.00%	(229)	138,429	-
Claridy Solutions (Wuxi), Inc. (II).2	Research and development of Radio Frequency Identification (RFID) technology; production and sale of the products	86,695	(II)	3,864	12,577	-	16,441	14,377	100.00%	100.00%	6,992	54,152	-
Claridy Solutions (Nanjing), Inc. (II).2	Software research and development and software design	94,046	(II)	60,800	-	-	60,800	(4,619)	100.00%	100.00%	(4,619)	43,324	-
MiTAC Service (Shanghai) Co., Ltd. (II).2	Computer information and technology service, technology support, software design and software research and development	56,787	(II)	67,952	-	-	67,952	(2,169)	- %	100.00%	(2,169)	-	-
Claridy Smart Solutions (Beijing) Co., Ltd. (II).2	Technology development, technology promotion, technology transfer, technology consulting and technology service	15,746	(II)	15,998	-	-	15,998	2,237	100.00%	100.00%	2,237	23,933	-

2. Information related to ceiling on investment in Mainland China

Company name	Accumulated amount of remittance from Taiwan to Mainland China at the end of period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs (Note 3)
The Company	3,720,683	3,879,162	19,081,160
MiTAC Inc.	49,114	189,212	10,814,869
MiTAC Information Technology Corp.	161,191	161,191	832,926

Note 1: Investment consist of the following three categories:
(1) Engaged in direct investment in Mainland China;

Lien Hwa Industrial Holdings Corporation

Notes to the Parent Company Only Financial Statements

- (2) Investment in Mainland China through a third country company.
 (3) Others.
- Note 2: In the column of the investment income recognized in the current period:
 (1) It shall be specified if the investment is in preparation without any investment income.
 (2) The base for the recognition of investment income can be classified into three categories and it shall be specified.
 (1) The financial statement audited by the CPA firm of the parent company in Taiwan.
 (2) Other- Self prepared financial statement
 (3) Investment income is recognized based on the shareholding percentage held by Fortune Dragon Holding Inc. indirectly in the company.
- Note 3: According to the regulation in the "Principle of Review on Investment and Technical Cooperation in Mainland China" issued by the Investment Commission on August 29, 2008, 60% of the net value is used for the calculation.
- Note 4: The numbers in the above table are stated in New Taiwan Dollars.
- Note 5: The Company invested in the Quan Ye Trading Co., Ltd indirectly. The original investment cost was USD1,000 thousand. The equity was disposed and USD486 thousand of the investment amount was collected and settled in May 2017. As of December 31, 2020, it was reported to the Investment Commission of the Ministry of Economic Affairs for future reference and cancellation. After the money is received in Taiwan, the amount will be deducted from the used amount of the approved limit in Mainland China.
- Note 6: The original indirect investment cost in Fujian Fuhua Gases Co., Ltd. was USD13,787 thousand. The equity was disposed and USD13,900 thousand of the investment amount was collected in March 2020. In May 2020, the matter was reported to the Investment Commission of the Ministry of Economic Affairs for approval of investment amount cancellation.
- Note 7: On October 19, 2020, the cancellation of registration of Yantai Tailiang Food Industrial Co., Ltd. was approved.
- Note 8: On October 20, 2020, MiTAC Service (Shanghai) Co., Ltd. was liquidated.

3. Material transactions: None.

(4) Information on major shareholders:

Name of major shareholder	Shares	No. of shares held	Shareholding percentage
UPC Technology Corp.		124,036,071	9.68%
Yih Yuan Investment Corp.		117,170,225	9.14%

Note: The major shareholders in this table are shareholders holding more than 5% of the common and preference shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of December 2020 calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial report and the number of shares actually delivered by the company without physical registration may differ due to calculation

(XIV) Department information

Please refer to the year 2020 consolidated financial statements.

Lien Hwa Industrial Holdings Corporation
(original name: Lien Hwa Industrial Corporation)
Statement of Cash and Cash Equivalents
December 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash in bank	Demand deposits	105,197
	Foriegn deposits	2
Time deposits	(CNY 770 thousand)	<u>33,370</u>
Total		<u><u>\$ 138,569</u></u>

Lien Hwa Industrial Holdings Corporation
(original name: Lien Hwa Industrial Corporation)
Statement of Changes in Financial Assets Measured at fair Value through Other
Comprehensive Income – Non-current
For the year ended December 31, 2020
(In Thousands of New Taiwan Dollars)

Name of financial instrument	Beginning Balance		Addition		Decrease		Ending balance		Collateral	Note
	Shares (in thousand)	Fair value	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Fair value		
Great Wall Enterprise Co., Ltd.	17,580	\$ 767,369	-	125,697	-	-	17,580	893,066	None	Closing price in December 31, 2020
MiTAC Holdings Corp.	76,734	2,225,282	9,208	310,005	-	-	85,942	2,535,287	"	"
SYNNEX Technology International Corp.	49,893	1,870,992	-	473,985	-	-	49,893	2,344,977	"	"
Pao Long International Co., Ltd.	2,365	33,471	-	8,989	-	-	2,365	42,460	"	"
Getac Technology Corp.	7,210	336,707	-	15,862	-	-	7,210	352,569	"	"
Taian Insurance Co., Ltd.	921	20,465	-	2,278	-	-	921	22,743	"	
China Trade and Development Corp.	50	1,199	-	13	-	-	50	1,212	"	
Formosa Golf and Country Club Corp.	2	317	-	4	-	-	2	321	"	
Hsin Yu Energy Development Co., Ltd.	6,076	-	-	-	-	-	6,076	-	"	
Harbinger Venture Capital Corp.	7	216	-	-	-	157	7	59	"	
Harbinger VI Venture Capital Corp.	2,809	35,009	-	1,202	-	-	2,809	36,211	"	
Harbinger VII Venture Capital Corp.	10,000	113,855	-	37,793	-	-	10,000	151,648	"	
Global Investment Holdings Co. Ltd.	3,000	30,624	-	-	660	700	2,340	29,924	"	
Shihlien Fine Chemicals Co., Ltd.	35,384	126,040	-	-	-	36,963	35,384	89,077	"	
B Current Impact Investment Corp.	500	4,644	-	-	-	127	500	4,517	"	
Harbinger VIII Venture Capital Corp.	7,500	72,433	-	1,189	-	-	7,500	73,622	"	
		<u>\$ 5,638,623</u>		<u>977,017</u>		<u>37,947</u>		<u>6,577,693</u>		

Lien Hwa Industrial Holdings Corporation
(original name: Lien Hwa Industrial Corporation)
Statement of Changes in Investments Accounted for Using the
Equity Method
For the year ended December 31, 2020
(In Thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Ending balance			Market Value or Net Assets Value		Collateral	Note
	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Percentage of ownership	Amount	Unit price	Total amount		
<u>Equity Method – Listed</u>													
<u>Company</u>													
UPC Technology Corp.	424,881	\$ 6,470,570	-	1,641,999	-	-	424,881	32.88%	8,112,569	19.20	8,157,715	None	
<u>Equity Method – Unlisted</u>													
<u>company</u>													
Linde Lienhwa Industrial Gases Co., Ltd.	1,886	5,203,917	-	318,773	-	-	1,886	50.00%	5,522,690	2,928.26	5,522,690	"	
MiTAC Inc.	125,710	5,493,129	-	1,101,968	-	-	125,710	35.46%	6,595,097	50.84	6,391,588	"	
MiTAC Information Technology Corp.	65,900	704,630	-	-	-	62,871	65,900	43.93%	641,759	9.25	609,841	"	
Hua Cheng Investment Co., Ltd.	61,800	727,808	9,700	105,644	-	-	61,800	100.00%	833,452	11.74	839,457	"	
Lienhwa United LPG Co., Ltd.	6,848	79,595	-	1,867	-	-	6,848	24.04%	81,462	11.90	81,462	"	
Lien Rui Investment Corp.	11,335	68,366	6,000	24,738	-	-	11,335	100.00%	93,104	5.37	93,102	"	
Fortune Dragon Holding Inc.	105,782	4,018,216	14,373	1,237,287	-	-	105,782	100.00%	5,255,503	43.74	5,255,503	"	
Lien Hwa Milling Corp.	100,100	1,695,624	-	16,416	-	-	100,100	100.00%	1,712,040	17.10	1,711,519	"	
Lien Hwa Property Development Corp.	200,100	3,044,583	-	-	-	799,540	200,100	100.00%	2,245,043	11.22	2,245,043	"	
Lien Hwa Industrial Corp.	100	1,000	-	1	-	-	100	100.00%	1,001	10.01	1,001	"	
Total		\$ 27,507,438		4,448,693		862,411			31,093,720		30,908,921		

Lien Hwa Industrial Holdings Corporation
(original name: Lien Hwa Industrial Corporation)

Statement of Short-term loan

December 31, 2020

(In Thousands of New Taiwan Dollars)

Type	Description	Ending balance	Contract Period	Range of interest rate	Loan commitment	Collateral	Note
Unsecured loans		\$ 2,700,000	109.11.18~110.06.15	0.80%~0.83%	2,700,000	None	
Secured loan		<u>1,100,000</u>	109.12.10~110.01.08	0.85%	3,000,000	Note	
Total		<u>\$ 3,800,000</u>					

Note : The subsidiary Lien Hwa Properties Corporation provided property, plant, and equipment and investment property as guarantee for bank loans. Please refer to Note 7 for details.

Lien Hwa Industrial Holdings Corporation
(original name: Lien Hwa Industrial Corporation)

Statement of Short-term notes payable

December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Bills Finance Companies	Term of contract	Term of Interest rate	Issue amount	Amount	Book value	Note
					Unamortized discount on commercial promissory notes payable		
Short-term notes payable	A、B and C Bills Finance Companies	2020.12.11~ 2021.01.29	0.25%~0.60%	\$ 800,000	(137)	799,863	

Statement of Other payables

Item	Description	Amount
Other payables	Payables for salary and bonus	\$ 23,724
	Dividend payable	20,813
	Related party	3,302
	Other	4,839
Total		\$ 52,678

Lien Hwa Industrial Holdings Corporation
(original name: Lien Hwa Industrial Corporation)
Statement of Long-term loan

December 31, 2020

(In Thousands of New Taiwan Dollars)

Creditor	Description	Amount	Term of contract	Interest rate	Collateral	Note
A、B、C Bank		<u>\$ 1,300,000</u>	2020.06.09-2022.06.09	0.98%~1.00%	-	Repayment due to loan contract.

Lien Hwa Industrial Holdings Corporation
(original name: Lien Hwa Industrial Corporation)
Statement of Administrative Expenses
For the year ended December 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salary and wages expense		\$ 22,438	
Services expense		3,725	
Remuneration of Directors		10,120	
Other expense		<u>9,025</u>	The balance of each item does not exceed 5%.
Total		<u><u>\$ 45,308</u></u>	