

Stock Code: 2329



**Orient Semiconductor Electronics, Ltd.**

**2020 Annual Meeting of Shareholders**

# **Meeting Handbook**

(Translation)

Date of the shareholders' meeting: June 18, 2020

Venue: No. 600, Chia-Chang Road, Nan-Zih District, Kaohsiung City, Taiwan  
(Nanzih Export Processing Zone Administration / Auditorium)

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# **Orient Semiconductor Electronics, Ltd.**

## **Procedure of 2020 Annual Meeting of Shareholders**

One. Call the Meeting to Order

Two. Chairperson Remarks

Three. Management Presentation

Four. Proposals for Recognition

Five. Discussion Matters

Six. Questions and Motions

Seven. Adjournment

# Orient Semiconductor Electronics, Ltd.

## 2020 Annual Meeting of Shareholders

Time: 10 am on June 18, 2020 (Thursday)

Venue: No. 600, Chia-Chang Road, Nan-Zih District, Kaohsiung City, Taiwan (Nanzih Export Processing Zone Administration / Auditorium)

One. Call the Meeting to Order

Two. Chairperson Remarks

Three. Management Presentation

- I. 2019 Business Report.
- II. Audit Committee's Review Report.
- III. 2019 Distribution of Remunerations to Employees and Directors.
- IV. Report of Amendments of the "Rules of Procedure for Board of Directors Meetings".
- V. Report of Amendments to the "Codes of Ethical Conduct".
- VI. Establishment of the Report of the "Ethical Corporate Management Best Practice Principles".
- VII. The Status Report of the Company's Endorsements and Guarantees.

Four. Proposals for Recognition

- I. Motion of 2019 Business Report and Financial Statements.
- II. Motion of 2019 Earnings Distribution.

Five. Discussion

- I. Amendment to parts of clauses of the "Articles of Incorporation".
- II. Approval of the private placement of Securities.

Six. Extraordinary Motions

Seven. Adjournment

## I. Management Presentation

### **Report No. 1**

Proposal: 2019 Business Report, please review.

Explanation: For the Company's 2019 business report, please refer to Annex 1.

### **Report No. 2**

Proposal: Audit Committee's Review Report, please review.

Explanation: For audit committee report, please refer to Annex 2.

### **Report No. 3**

Proposal: 2019 Distribution of Remunerations to Employees and Directors.

Explanation:

- I. As is required by Article 235-1 of the Company Act and Article 26 of the Company's Articles of Incorporation.
- II. The Company's 2019 profit (meaning current income before tax deducting profit for employee and director remuneration which was reserved for accumulated loss) amounted to NT\$761,512,502 thousand and 8% and 1.5% were distributed to employees and board of directors, respectively. NT\$60,921,000 was distributed to employees and NT\$11,423,000 was distributed to directors.
- III. The proposal has been passed by the remuneration committee on March 27, 2020 and resolved and passed by the board of directors on March 27, 2020.

### **Report No. 4**

Proposal: Amendments to the "Rules of Procedure for Board of Directors Meetings".

Explanation:

- I. To accommodate the Company's establishment of audit committee, words relating to supervisors have been deleted and to clarify the unit with responsibility for future amendments.
- II. Please refer to Annex 3 for the comparison table for the amended clauses.

### **Report No. 5**

Proposal: Report of amendments to the "Codes of Ethical Conduct".

Explanation:

- I. To accommodate the Company's establishment of audit committee, words relating to supervisors have been deleted and to clarify the unit with responsibility for future amendments.
- II. Please refer to Annex 4 for the comparison table for the amended clauses.

## **Report No. 6**

Proposal: Establishment of the Report of the “Ethical Corporate Management Best Practice Principles”.

Explanation:

- I. The Company’s “Ethical Corporate Management Best Practice Principles” has been established to respond to the needs of corporate governance and implementation of corporate social responsibility, with the reference to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”.
- II. For the Company’s “Ethical Corporate Management Best Practice Principles”, please refer to Annex 5.

## **Report No.7**

Proposal: The Status Report of the Company’s Endorsements and Guarantees.

Explanation:

- I. The Company made bank guarantee for the subsidiary in the Philippines, Orient Semiconductor Electronics, Phils. Inc, due to capital needs. The Company has applied a short-term credit line of USD 1 million from the Mega International Commercial Bank, Nanzi Branch with a contract period of one year (2020/1 to 2021/1). The Company has provided the same amount of US dollars as a loan guarantee.
- II. As of April 30, 2020, Orient Semiconductor Electronics, Phils. Inc USD 60,000 has been used.

## II. Proposals for Recognition

### **Proposal 1 for Recognition**

**【Proposed by the Board of Director】**

Proposal: 2019 Business report and various financial statements, herein reported for recognition.

Explanation:

- I. The Company's business report and various financial statements for the year of 2019 were prepared by the Company, and were audited by the independent auditors, Chen, Chih-Chung and Chen, Cheng-Chu , of Ernst & Young Global Limited.
- II. Enclosed are the business report and various financial statements for recognition.
  1. For business report, please refer Annex 1.
  2. For auditor's report of the parent company, please refer to Annex 6.
  3. For financial statements for the parent company, please refer to Annexes 7-10.
  4. For consolidated independent auditor's report, please refer to Annex 11.
  5. For consolidated financial statement, please refer to Annexes 12 to 15.

Resolutions:

### **Proposal 2 for Recognition**

**【Proposed by the Board of Director】**

Proposal: 2019 earnings distribution, herein reported for recognition.

Explanation:

- I. Regarding the Company's 2019 earnings distribution, as required by the Company Act and the Company's Articles of Incorporation, the board of directors has proposed the motion of the Company's 2019 earnings distribution, please refer to Annex 16.
- II. NT\$82,849,280 distributable remuneration has allocated for the shareholders' cash dividends with NT\$0.15 per share.
- III. After the motion has been resolved by the shareholders' general meeting, the board of directors shall be authorized to set an ex-dividend and distribution day. After that, if the shares outstanding are affected due to the Company's repurchase of shares or other reasons which result in a change of shares held by shareholders, it is proposed that the board of directors shall be authorized to fully handle the matter.
- IV. The amount of cash dividends shall be calculated and rounded off to the nearest NT\$1. Fractions that do not amount to a full NT\$1 shall be totaled and recognized by the Company as other income.

Resolutions:

### III. Discussion

#### **Proposal 1 for Discussion**

**【Proposed by the Board of Director】**

Proposal: Amendments to parts of clauses of the "Articles of Incorporation" for discussion.

Explanation:

- I. The amendments to the articles of incorporation are made according to the amendment of the Company Act on August 1, 2018:
  - (I) As required in Article 392-1, the Company is to state its English name in the article of incorporation. Therefore, information has been added to paragraphs 1 and 2.
  - (II) As required in Article 228-1, Article 26-1 has been newly been added - earnings distribution may be distributed at the close of each quarter or each half fiscal year.
- II. As required in Article 28 of the Company Act that, to be able to specify the appropriate legal basis for the announcement method, Article 3 of Articles of Incorporation has been amended.
- III. Please refer to Annex 17 for the comparison table for the amended clauses.

Resolutions:

#### **Proposal 2 for Discussion**

**【Proposed by the Board of Director】**

Proposal: Approval of the private placement of Securities.

Explanation:

- I. In order to expand production capacity, improve the operating funds, repay the bank loans and/or correspond with the fund requirements for the future long-term developments as well as the consideration of the capital market situation and timeliness, feasibility, issuance costs of capital raising and/or the introduction of strategic investors to correspond with the Company's development that allows the diversification and flexibility of fund raising channels, the Company has proposed to conduct to issue private placement common shares to raise the Company funds with the market within a limit of 120 million shares according to the situation of the market and Company's funds as required by Article 43-6 Paragraph 6 of the Securities and Exchange Act.
- II. As required by Article 43-6 of the "Securities and Exchange Act" and the "Directions for Public Companies Conducting Private Placements of Securities", matters that shall be further explained are as follows:
  - (I) The basis and reasonableness of the private placement pricing:
    1. The private placement pricing of the Company should be based on 20% of the following 2 calculations whichever is higher prior to the



Company's date of pricing:

- (1) The simple average closing price of the common shares of the Company for either the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.
  - (2) The simple average closing price of the common shares of the Company for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.
2. The actual pricing date and the actual place placement price may not be lower than the scope of percentage resolved by the shareholders' meeting. The board of directors have been authorized to make decisions according to the situation of specific persons and market conditions in the future. However, the pricing shall be reasonable, therefore, there is no material impact on the shareholders' rights and interests.

(II) The method for selecting the specific persons:

1. Selection method: the objects of the private placements of ordinary shares are limited to specific persons who meet the requirements stipulated in Article 6 of Article 43 of the Securities Exchange Act and Order No. Tai-Cai-Zhen-10910003455 issued by the Financial Supervisory Commission on June 13, 2002.
2. Selection purpose: The priority consideration is those who direct or indirect improve the Company's future operation.
3. Necessity and anticipated benefits: the Company currently has no agreed candidates. It is expected to introduce candidates who provide added values and pose benefits to the Company's market and technical cooperation in order to further profit the Company and have positive benefits to shareholders.

(III) Necessary reasons for private placement, the limit on the private placement, the use of the funds raised by the private placement and the anticipated benefits:

1. Reasons for not using a public offering: In consideration of market conditions, timeliness, feasibility, issuance costs of capital raising and/or the introduction of strategic investors to correspond with the Company's development and the transfer limit can ensure that the long-term cooperative relationship between Company and strategic investors which strengthens the stability of the Company's management, therefore the Company uses place placements for raising funds. Depending on the actual needs of the Company's operations, by authorizing the board of directors, the Company also effectively improves the mobility and flexibility reasons for the necessity for conducting the private placement.
2. The limit on the private placement: within the limit of 120,000,000 shares,

the Company conducts the private placement once within a year from the resolution date by the shareholders' meeting

3. The use of the funds raised by the private placement and the anticipated benefits: The funds raised this time are expected to be used to strengthen the financial structure, seek business and technical cooperation or strategic alliance opportunities with domestic and foreign manufactures, invest in advanced packaging and testing manufacturing equipment and research and development of high-end technology to improve the operating funds and other fund needs to correspond with the Company's long term developments which pose one or multiple uses. It is expect to improve the financial structure, reduce debt ratio, and improve current ratio and quick ratio which poses positive benefits for the stability of the Company's management as well as the rights and interests of shareholders. Also, by introducing strategic investors, it helps the Company to expand the market and technical cooperation so that the Company can profit which poses positive benefit to shareholders.

- III. The private placement of ordinary shares is conducted as required by Article 43-8 of the "Securities and Exchange Act" and relevant laws and regulations of competent authority that the shares may not be transferred freely withing 3 years since the delivery of the private placement of ordinary shares aside from the specific reasons stipulated by laws and regulations; three years after the delivery of the private placement of ordinary shares, the Company applies to the competent authority for the public issuance and the listing of trading according to the relevant laws and regulations of private placement.
- IV. It has been proposed to the shareholders' meeting to authorize the board of directors to formulate the important content of this motion according to market condition and the operating needs of the Company including but not limited to the issuing price, number of shares issued, issuance conditions, funds raised, plans, process of the fund use, expected anticipated benefits and other matters. If changes or amendments are required by instructions of the competent authority or based on the operation evolution or due to changes in the objective environment or laws and regulations, the shareholders' meeting shall ask the board of directors to fully handle the matters.
- V. In order to accommodate the private placement of ordinary shares, it has bee proposed that the shareholders' meeting shall authorize the chairperson or its appointed person to discuss and sign all contracts and documents in relation the private placement motion as well as the relevant matters.

Resolutions:

IV. Extraordinary Motions

V. Adjournment

## 2019 Business Report

**2019 Business Report**

The business of OSE's Semiconductor Group focuses on all the products related to the packaging and testing of memory, we play an important role in the market of flash memory packaging. In the future, we will not only strengthen the development of CSP/BGA market, improve the production efficiency, continue the further development of memory market (especially LPDDR and DDR), but also expand the development of IoT and automotive electronics-related markets to boost OSE's business.

The Electronic Manufacturing Services (EMS) Center uses its comprehensive services including mature technology, experience and process to provide customers advanced PCB and finished goods assembly from smaller batch high-mix to high volume of production to satisfy customers' needs. The Company is publicly recognized as the leader in Taiwan. Aside from the original servers, high-end technology foundry (oil, satellite) and industrial computers, we have also introduced Netcom security, vehicle, high-end display card, FPGA customers that cover industries such as AI, 5G, Machine Learning, Big Data, unmanned vehicle and e-sports markets. In 2019, we were benefited from the reversed orders generated from the US-China trade war, providing productive capacity not only to existing customers but also new customers. The overall effective output has increased remarkably compared to 2018 and the Company has delivered the most satisfactory results for decades. With the generally increasing acceptance of the end market products, the orders have been continuing to increase for the product line of solid state drives (SSD) that we have been focusing on for many years. EMS Group makes advanced deployment to expand productive capacity in order to catch up with customers. We persist in moving forward to automation as a means to welcome bigger challenges in the coming year

**Business Results**

Unit: NTD thousand

Year	2019	2018	Variance	%
Operating revenue	17,515,145	15,188,192	2,326,953	15.32%
Operating cost	(15,742,203)	(14,656,055)	(1,086,148)	(7.41%)
Operating margin	1,772,942	532,137	1,240,805	233.17%
Operating expense	(996,827)	(938,200)	(58,627)	(6.25%)
Other net income (loss)	357	—	357	—
Operating income (loss)	776,472	(406,063)	1,182,535	291.22%
Non-operating income and expenses	(39,879)	43,527	(83,406)	(191.62%)
Other incomes	50,464	74,246	(23,782)	(32.03%)
Other Other gains (losses)	(13,999)	26,770	(40,769)	(152.29%)
Financial costs	(115,732)	(125,986)	10,254	8.14%
Expected credit impairment loss	(1,148)	—	(1,148)	—
Share of profit of associates accounted for using equity method	40,536	68,497	(27,961)	(40.82%)
Net income (loss) before tax	736,593	(362,536)	1,099,129	303.18%
Income tax benefits (expenses)	(148,633)	250,988	(399,621)	(159.22%)
Net income(loss)	587,960	(111,548)	699,508	627.09%

The Company's 2019 operating margin, net operating loss, non-operating income, expenses and net income are explained as follows:

## I. Operating margin, net operating:

Due to the increase yield of upstream customer 3D NAND flash wafer, the productive capacity of the semiconductor business center has constantly improved

which has met the market supply. With the significant improvement of operations, the demand for modules of SSDs, cloud servers and industrial computers have all contributed to the business performances. In terms end markets, laptops, data center and servers use a large amount of SSDs, the penetration rate has grown rapidly. With the help of the demand from various industries, the Company is able to use the advantage of existing production platforms to adjust the setting of production line in order to accommodate the industry trend by making full use of existing resources to enhance production efficiency and constantly develop various application and production services.

Together with the factors of EMS center continuing to increase the orders for OEM consumer electronic products, niche products such as Class 3 becoming more mature, and the increase of mass production models as well as the reduction of the need to purchase materials and high-end server products for OEM, the sales income has increased and the purchase cost for materials has decreased which has allowed the gross margin to grow compared to the same period of the previous year.

II. Non-operating income and (expenses):

Reduced by 191.62% compared to the same period of the previous year, due to the effect of net foreign currency exchange loss by the USD (30.72→30.08), resulted in a decrease in other gains and (loss) by 152.29%.

III. The business strategy in the future will be focusing on lean production, increasing the operating income and reducing the operating expenses in hope to create profit and improve the structure.

### Financial Positions and Profitability Analysis

Analysis item		Year	
		Financial analysis for the recent two years	
		2019	2018
Financial structure	Debt-asset ratio (%)	61.89	67.14
	Ratio of long-term capital to fixed assets (%)	111.28	102.15
Profitability	Return on assets (%)	4.17	(0.06)
	Return on equity (%)	10.16	(2.00)
	Profit margin before tax (%)	3.36	(0.73)
	Earnings per share (NTD)	1.06	(0.20)

### Research and Development Situation

The R&D expenditure of 2019 was NT\$278,307 thousand.

IC: Aside from the continuous introduction of process verification and mass production of various 3D NAND flashes, we also have response measures for the demand of the future high-speed memory (PCIe and DDR5). In 2019, we have completed the process development and establishment of production lines of flip chip package and have started the verification and development for relevant products. Furthermore, to fulfill the environmental protection constantly, the Company will continue focusing on the amendment and addition of the environmental protection regulation all around the world and verify new materials to comply with new environmental protection regulations.

EMS: With the transfer of customers' high-end technology, plants are already equipped with the technology standard that exceeds the highest quality standard of class 3. The technology is applicable for fields such as oil exploration, aerospace satellites, military defense, etc. In 2019, we cooperated with the government policies and directors, and smoothly completed the satellite launch. We offer our extended services not only to Taiwan, but also any other country. The subsequent projects have gradually obtained licenses and certifications. We hope that in the future, we will provide high-end technology to customer groups in the niche market.

### **This Year's Business Plan Overview**

The Company's business strategy will continue the development of flash memory market and select advantageous domestic/foreign proprietors for strategic cooperation. In addition to constant research and development for packaging of IoT, AI-related products and automotive electronics-related products, we will conduct the assessment and development the established product lines of flip chips for high-end wearable products. The Company has relatively strong advantage in terms of semiconductor packages and manufacturing services. Looking forward to 2020, not only will we strengthen the development of CSP/ BGA market, improve the production efficiency, and further enhance the development of memory market (especially LPDDR and DDR), we will also expand the development of IoT and automotive electronics-related markets to boost OSE's business.

Consequently, the Semiconductor Group (IC packaging and testing) will be devoted to the following operating direction to boost the revenue:

- I. Reduce the material costs constantly.
- II. Constant development of high-end packaging process to meet the demand of customers' future products.
- III. Continue the further development of memory market and assist customers in the development of new customized products.
- IV. Develop LPDDR and standard DDR-related products.
- V. Adopt intelligent production management system.

Both SSD and products with quality requirement higher than IPC-610 class 3 in EMS Group has started the mass production stage. The main plans for 2020 include:

- I. The ongoing expansion of the SSD production base -build an exclusive production area that serves the world's top customers with the adjustment plan of the global productive capacity for the main customers to respond the demand of the future productive capacity.
- II. With the growing demand for server products, the setting of production line has been adjusted accordingly in order to increase the productive capacity to handle customers' demand. Aside from the production of the existing products, the products of the new generation will gradually be mass produced in 2020, ensuring the entering of markets for all products.
- III. Proactively deploy military defense-related fields - obtain relevant certifications and use welding technology that is higher than class 3 for the application of products in relation to the production of military weapons.
- IV. The non-consumable products were introduced due to the US-China trade war. These products are mainly applied in the equipment within buildings which have very long life cycle and are expected to have stable growth after successful introduction.
- V. The IATF 16949 certification has been obtained in terms of vehicles. After the trial production, products have gradually entered their mass production stage since 2020.

### **Future Company's Development Strategy**

Semiconductor Group has put a lot of effort into the further development for the niche market of flash memory packaging. In addition to satisfying the quality, production capacity and cost requested by the packaging market of flash memory via current advantages in the future, we will also use relevant process technology to assist our customers in expanding the product markets of the development of IoT and AI.

- I. Technique integration and quality yield rate: It is necessary not only to apply FEOL of packaging to flash memory module and IoT product module, but also

to apply SMT manufacturing process to it. The Company has the technique and production capacity of the packaging of semiconductor and the assembly of electronics, we have the absolute advantages in manufacturing services compared with the domestic companies that have the same manufacturing process and scale as us.

- II. Complete supply chain lowers the material cost constantly: After the transformation for many years, we have made up a complete supply chain with the related material suppliers, we continue looking for the cost-effective materials and manufacturing process via bilateral cooperation.
- III. Complete product development team: Continue strengthening the investment on the software and hardware for developing the products. Currently, in addition to assisting the flash memory-related customers to conduct the electrical and thermal analysis, we continue helping the customers develop the relevant customized products.
- IV. Development of the emerging markets: Apart from developing the emerging markets in China and India, we have expanded the development to ASEAN countries recently.
- V. Expand memory product line: Aside from continuing expanding the packaging production capacity of flash memory and LPDDR, we are also going to develop the high-speed standard DDR products.

EMC Center has gradually completed the adjustment of different plants. Based on the production methods such as small quantity with variety and mass production, the production lines and management method are carefully planned out, in order to reach the goal of reducing costs and increasing efficiency, ensuring the punctuality and delivery of the development of new products. At the same time, we have to provide our customers with professional knowledge regarding supply chain and essential resources to make them have more competitiveness in the market.

- I. SSD products have grown by a large margin as expected in 2019. We expect that the customer demand will still continue to increase in 2020; however, we will have wait and see that whether the subsequent market will be affected by the coronavirus (COVID-19) pandemic.
- II. In terms of oil exploration products, testing technologies have been added and the production technology has become more mature. The output will continue to increase to accommodate our customers.
- III. In terms of the market of consumer products, the Company has introduced the new product of headphones which are expected to be produced in the second half of this year.
- IV. Netcom-related industries have thrived with the arrival of 5G generation. EMS Center is responsible for such type of products and has enhanced the production technology of high-end products by a large margin to accommodate the future growth of customers.

## **Impact of External Competitive Environment, Regulatory Environment and Overall**

## **Business Environment**

The previous research conducted by Topology Research Institute (TRI) has pointed out that the overall revenue performance of the first of 2019 would be affected due to factors including falling memory prices and weakened sales of mobile phones. However, with the drive of demand arising from the improved US-China conflict, as well as peak sales in the second half, the overall performance has gradually stabilized. However, the overall performance was still in decline due to the performance in the first half of 2019. In 2019, the global IC packaging and testing market revenue amounted to NT\$51.76 billion US dollars, down by approximately 4.0% compared to 2018. The research of TRI also suggested that although the packaging output value of products in relation to 5G, automotive electronics, AI and the IoT continue to thrive, with the impact of the US-China situation continuing to worsen and the coronavirus (COVID-19) pandemic, TRI estimates that the packaging output value in 2020 will reach 54.46 billion US dollars, up by approximately 3.3%.

To follow the development trend of electronic products, the Company will focus on niche-oriented products to avoid price competition and affecting the profit. With the popularity of smartphone devices and the demand increase of AI Big Data management, eMMC and Flash BGA will still be the main products for Flash memory application in the future. The Company will collaborate with the main memory industry chain and channel firms all over the world to continue developing the manufacturing services of all the Flash memory applications via the current advantages in the manufacturing platform.

In terms of external risks, due to the opportunities arising from the US-China trade war, the EMS Center benefited from them in 2019, but given the tariff exemption of some products, customers have returned to China for making production, therefore, the 2020 transfer of order benefit is expected to decrease. Furthermore, with the coronavirus (COVID-19) situation worsening day by day, the recovery rate of workers going back to work in China is poor and it is expected that the subsequent supply of materials from some places will be affected; with the continuous spread of the virus in Europe, USA and Middle East, many countries have imposed various prevention measures such as a lockdown or no flights coming in and out the country. It is anticipated that it will cause a significant degree of impact which will further affect the demand of many customers.

In the past, the Company was affected by the shortage of materials, the adaption period of generation alternation and the revision of the Labor Standards Act and so on, which caused the inability to make profits constantly. The Company has worked tirelessly and kept moving on forward to reach the goal of making a profit in the hard and difficult environment. The Company has reached the goal of making a profit in 2019. In the future, the company will continue focusing on lean production to expand operating income foundation, enhance the capacity utilization, controlling operating expenses and so on, and actively adopt more efficient and friendly method to create a win-win situation for both operation results and legal compliance.

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

The board of directors has prepared the 2019 standalone and consolidated financial statements and retained the CPAs, Chen, Chih-Chung and Chen, Cheng-Chu of CPA firm of Ernst and Young Global Limited to audit the Company's individual and consolidated financial statements and issue an audit report relating to the individual and consolidated financial statements. The financial statements, business report, and the statement of along with the business report and earnings appropriation proposal. The Audit Committee finds no inappropriate disclosures with respect to the above, and hereby issues this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To  
2020 Shareholders' General Meeting of Orient Semiconductor Electronics, Ltd.

Orient Semiconductor Electronics, Ltd.  
Convener of the audit committee: Philip H. H. Wei

March 27, 2020



## Orient Semiconductor Electronics, Ltd.

## “Rules of Procedure for Board of Directors Meetings”

## Comparison Table of Amendment Clauses

Clause No.	Content		Amendment basis and reasons
	After Amendment	Before Amendment	
Article 3	(Convening of the board of directors' meeting and meeting notice) (Omission) To convene a board meeting, a meeting notice which specifies the purposes of the meeting shall be sent to each director no later than 7 days before the scheduled date. A meeting shall be convened at any time in case of emergency. The notice stated in the preceding paragraph may be effective by means of electronic transmission, after obtaining a prior consent from the recipient(s) thereof.	(Convening of the board of directors' meeting and meeting notice) (Omission) To convene a board meeting, a meeting notice which specifies the purposes of the meeting shall be sent to each director <del>and supervisor</del> no later than 7 days before the scheduled date. A meeting shall be convened at any time in case of emergency. The notice stated in the preceding paragraph may be effective by means of electronic transmission, after obtaining a prior consent from the recipient(s) thereof.	In order to be in line with the establishment of the Company's audit committee, the related words for the supervisors are deleted.
Article 16	(Meeting record and signing) (Omission) VII. Discussions items: The method of resolution and the result for each motion; a summary of the comments made by directors, experts, or other persons. The name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and opinions expressing objections or reservations at the meeting that were included in records or stated in writing and as required in Article 12 Paragraph 5, opinions expressed by the independent directors shall be included in writing. VIII. Extraordinary Motions: The name of mover, the method of resolution and the result for each motion; a summary of the comments made by directors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and opinions expressing objections or reservations at the meeting that were included in records	(Meeting record and signing) (Omission) VII. Discussions items: The method of resolution and the result for each motion; a summary of the comments made by directors, <del>supervisors</del> , experts, or other persons. The name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and opinions expressing objections or reservations at the meeting that were included in records or stated in writing and as required in Article 12 Paragraph 5, opinions expressed by the independent directors shall be included in writing. VIII. Extraordinary Motions: The name of mover, the method of resolution and the result for each motion; a summary of the comments made by directors, <del>supervisors</del> , experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and opinions expressing objections or reservations	In order to be in line with the establishment of the Company's audit committee, the related words for the supervisors are deleted.

Clause No.	Content		Amendment basis and reasons
	After Amendment	Before Amendment	
	or stated in writing. (Omission) The minutes of a Board of Directors meeting shall bear the signature or seal of both the chairperson and the minute taker, and a copy of the minutes shall be distributed to each director within 20 days after the meeting.	at the meeting that were included in records or stated in writing. (Omission) The minutes of a Board of Directors meeting shall bear the signature or seal of both the chairperson and the minute taker, and a copy of the minutes shall be distributed to each director and <del>supervisor</del> within 20 days after the meeting.	
Article 17	(Supplementary Rules) The formulation of these Meeting Rules shall be approved by the Company's board of directors and reported at the shareholders' meeting. <u>The board of directors have been authorized to resolve any future amendment.</u>	(Supplementary Rules) The formulation and amendments of these Meeting Rules shall be approved by the Company's board of directors and reported at the shareholders' meeting.	Units with responsibilities have been clearly specified in these Rules for future amendments.

## Orient Semiconductor Electronics, Ltd.

## “Code of Ethical Conduct”

## Comparison Table of Amendment Clauses

Clause No.	Content		Amendment Basis and reasons
	After Amendment	Before Amendment	
Article 1	Purpose of and basis for adoption In recognition of the necessity to assist the companies in Taiwan in their establishment of codes of ethical conduct, these Guidelines are adopted for the purpose of encouraging directors, and managerial officers of TWSE listed and GTSM listed companies (including general managers, deputy general managers, assistant general managers, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of the Company) to act in line with ethical standards, and to help interested parties better understand the ethical standards of the Company.	Purpose of and basis for adoption In recognition of the necessity to assist the companies in Taiwan in their establishment of codes of ethical conduct, these Guidelines are adopted for the purpose of encouraging directors, <del>supervisors</del> , and managerial officers of TWSE listed and GTSM listed companies (including general managers, deputy general managers, assistant general managers, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of the Company) to act in line with ethical standards, and to help interested parties better understand the ethical standards of the Company.	In order to be in line with the establishment of the Company's audit committee, the related words for the <del>supervisors</del> are deleted.
Article 2	Management concept The Company's establishment is based on the spirit and management concept of “Being ethical and maintaining a sustainable management”. Thus, directors and managerial officers shall focus on team spirit and comply with these ethical guidelines when performing duties.	Management concept The Company's establishment is based on the spirit and management concept of “Being ethical and maintaining a sustainable management”. Thus, directors, <del>supervisors</del> , and managerial officers shall focus on team spirit and comply with these ethical guidelines when performing duties.	In order to be in line with the establishment of the Company's audit committee, the related words for the <del>supervisors</del> are deleted.
Article 3	Prevention of conflicts of interest Directors <u>and</u> managerial officers shall perform their duties in an objective and efficient manner, and may not take advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the third degree of kinship. Loans of funds, provisions of guarantees, and major asset transactions or the purchase (or sale) of goods involving the affiliated enterprise at which the personnel mentioned above works, the director <u>and</u> managerial officer shall voluntarily explain whether there is any potential conflict between them and the Company.	Prevention of conflicts of interest Directors, <del>supervisors</del> , <del>or</del> managerial officers shall perform their duties in an objective and efficient manner, and may not take advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the third degree of kinship. Loans of funds, provisions of guarantees, and major asset transactions or the purchase (or sale) of goods involving the affiliated enterprise at which the personnel mentioned above works, the director, <del>supervisor</del> , <del>or</del> <del>and</del> managerial officer shall voluntarily explain whether there is any potential conflict between them and the Company.	In order to be in line with the establishment of the Company's audit committee, the related words for the <del>supervisors</del> are deleted.

Clause No.	Content		Amendment Basis and reasons
	After Amendment	Before Amendment	
Article 4	<p>Minimizing incentives to pursue personal gain</p> <p>The Company shall prevent its directors, <u>and</u> managerial officers from engaging in any of the following activities:</p> <p>(1) Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions.</p> <p>(2) Obtaining personal gain by using company property or information or taking advantage of their positions.</p> <p>(3) Competing with the Company. It is not subject to those whose restriction of competing has been lifted by the shareholders meeting.</p>	<p>Minimizing incentives to pursue personal gain</p> <p>The Company shall prevent its directors, <del>supervisors, or</del> managerial officers from engaging in any of the following activities:</p> <p>(1) Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions.</p> <p>(2) Obtaining personal gain by using company property or information or taking advantage of their positions.</p> <p>(3) Competing with the Company. It is not subject to those whose restriction of competing has been lifted by the shareholders meeting.</p>	In order to be in line with the establishment of the Company's audit committee, the related words for the supervisors are deleted.
Article 5	<p>Confidentiality</p> <p>The directors, <u>and</u> managerial officers of the company shall be bound by the obligation to maintain the confidentiality of any information regarding the company itself or its suppliers and customers, except when authorized or required by law to disclose such information.</p> <p>Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the company or the suppliers and customers.</p>	<p>Confidentiality</p> <p>The directors, <del>supervisors, or</del> managerial officers of the company shall be bound by the obligation to maintain the confidentiality of any information regarding the company itself or its suppliers and customers, except when authorized or required by law to disclose such information.</p> <p>Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the company or the suppliers and customers.</p>	In order to be in line with the establishment of the Company's audit committee, the related words for the supervisors are deleted.
Article 6	<p>Fair trade</p> <p>Directors, <u>and</u> managerial officers shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.</p>	<p>Fair trade</p> <p>Directors, <del>supervisors, or</del> managerial officers shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.</p>	In order to be in line with the establishment of the Company's audit committee, the related words for the supervisors are deleted.
Article 7	<p>Safeguarding and proper use of company assets</p> <p>All directors, <u>and</u> managerial officers have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care, or waste of the assets.</p>	<p>Safeguarding and proper use of company assets</p> <p>All directors, <del>supervisors, or</del> managerial officers have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care, or waste of the assets</p>	In order to be in line with the establishment of the Company's audit committee, the related words for the supervisors are deleted.
Article 8	<p>Legal Compliance</p> <p>Directors <u>and</u> managerial officers shall strengthen its compliance with the Company Act, Securities and</p>	<p>Legal Compliance</p> <p>Directors, <del>supervisors, or</del> managerial officers shall strengthen its compliance with the Company Act,</p>	In order to be in line with the establishment of the Company's

Clause No.	Content		Amendment Basis and reasons
	After Amendment	Before Amendment	
	Exchange Act and other applicable laws, regulations, and bylaws.	Securities and Exchange Act and other applicable laws, regulations, and bylaws.	audit committee, the related words for the supervisors are deleted.
Article 9	Encouraging reporting on illegal or unethical activities The Company shall raise awareness of ethics internally and encourage employees to report to a company managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct and provide sufficient information to allow the Company to appropriately handle subsequent matters. The Company will handle the report with confidentiality and make employees aware that the Company will use its best efforts to ensure the safety of informants.	Encouraging reporting on illegal or unethical activities The Company shall raise awareness of ethics internally and encourage employees to report to a company <del>supervisor</del> , managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct and provide sufficient information to allow the Company to appropriately handle subsequent matters. The Company will handle the report with confidentiality and make employees aware that the Company will use its best efforts to ensure the safety of informants.	In order to be in line with the establishment of the Company's audit committee, the related words for the supervisors are deleted.
Article 10	Disciplinary measures When a director <u>and</u> managerial officer violates the code of ethical conduct, the company shall handle the matter in accordance with the disciplinary measures prescribed in the code, and shall without delay disclose on the Market Observation Post System (MOPS) the name of the violator, the date of the violation by the violator, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken. <u>The Company has established a relevant complaint system to provide the violator with remedies.</u>	Disciplinary measures When a director, <del>supervisors, or</del> managerial officer violates the code of ethical conduct, the company shall handle the matter in accordance with the disciplinary measures prescribed in the code, and shall without delay disclose on the Market Observation Post System (MOPS) the name of the violator, the date of the violation by the violator, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken. <del>When being disciplined due to a violation of the code, the violator may file an appeal according to applicable measures.</del>	In order to be in line with the establishment of the Company's audit committee, the related words for the supervisors are deleted.
Article 11	Procedures for exemption The code of ethical conduct adopted by the company must require that any exemption for directors, and managerial officers from compliance with the code be approved by a resolution of the board of directors, and shall without delay be disclosed on the MOPS with information on the title, name and date on which the board of directors adopted the resolution for exemption, <u>objections or reservations of independent directors, and the period of, reasons for,</u> and principles behind the application of the exemption in order that the shareholders may evaluate the appropriateness of the board	Procedures for exemption The code of ethical conduct adopted by the company must require that any exemption for directors, <del>supervisors,</del> and managerial officers from compliance with the code be approved by a resolution of the board of directors, and shall without delay be disclosed on the MOPS with information on the title, name and date on which the board of directors adopted the resolution for exemption, the period of, and principles behind the application of the exemption in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from	In order to be in line with the establishment of the Company's audit committee, the related words for the supervisors are deleted.

Clause No.	Content		Amendment Basis and reasons
	After Amendment	Before Amendment	
	resolution to forestall any arbitrary or dubious exemption from the code, and to safeguard the interests of the company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.	the code, and to safeguard the interests of the company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.	
Article 12	Method of disclosure The Company shall disclose the code of ethical conduct it has adopted, and any amendments to it, on its company website, in its annual reports and prospectuses and on the MOPS.	Method of disclosure The Company shall disclose <del>its</del> code of ethical conduct it has adopted, and any amendments to it, on its company website, in its annual reports and prospectuses and on the MOPS.	In order to be in line with the establishment of the Company's audit committee, the related words for the supervisors are deleted.
Article 13	Enforcement The Company's code of ethical conduct, and any amendments to it, shall enter into force after it has been adopted by the board of directors, delivered to <u>each member of the audit committee</u> , and submitted to the shareholders meeting.	Enforcement The Company's code of ethical conduct, and any amendments to it, shall enter into force after it has been adopted by the board of directors, delivered to <del>each supervisor, and</del> submitted to the shareholders meeting.	In order to be in line with the establishment of the Company's audit committee, the related words for the supervisors are deleted.

# Orient Semiconductor Electronics, Ltd.

## Ethical Corporate Management Best Practice Principles

Established on March 27, 2020

### Article 1 (Purpose of establishment and scope of application)

These Principles are adopted to foster the Company's corporate culture of ethical management and sound development for establishing good commercial practices.

These Principles are applicable for subsidiaries which the Company directly or indirectly holds 50% or more.

### Article 2 (Prohibition of any unethical conduct)

When engaging in commercial activities, directors, managers, employees, and mandataries of the Company or persons having substantial control over such companies ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.

Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other stakeholders.

### Article 3 (Benefits)

"Benefits" in these Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

### Article 4 (Compliance with laws and regulations)

The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

### Article 5 (Policy)

The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.

### Article 6 (Prevention programs)

In addition to promoting the management concept and policy listed in the preceding article in a timely manner, preventive measures of operational procedures and guidelines, and education and training must be formulated by the Company when necessary.

When establishing the prevention programs, the Company shall comply with relevant laws and regulations of the territory where the companies and their business group are operating. The Company is also advised to negotiate with staff, important trading counterparties, or other stakeholders.

### Article 7 (Scope of prevention programs)

When the Company establishes preventive measures, the operating scope of operating activities containing higher risk of unethical behavior shall be analyzed and evaluated and related preventive measures shall be strengthened.

The preventive measures of the preceding paragraph shall contain at least the following:

- I. Offering and acceptance of bribes.
- II. Illegal political donations.
- III. Improper charitable donations or sponsorship.
- IV. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
- V. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.
- VI. Engaging in unfair competitive practices.
- VII. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture,

provision, or sale of products and services

Article 8 (Committee and execution)

The Company shall clearly specify in their rules and external documents and on the company website the ethical corporate management policies and the commitment by the board of directors and management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

Article 9 (Ethical commercial activities)

The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.

Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.

When entering into contracts with their agents, suppliers, clients, or other trading counterparties, the Company is advised to include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.

Article 10 (Prohibition of engagement in bribery)

When conducting business, the Company and its directors, managers, employees, mandataries, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

Article 11 (Prohibition of provision of non-political donations)

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Article 12 (Prohibition of improper donations or sponsorship)

When making or offering donations and sponsorship, the Company and its directors, managers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Article 13 (Prohibition of unreasonable presents, hospitality or other improper benefits)

The Company and its directors, managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.

Article 14 (Prohibition of infringement to intellectual property rights)

The Company and its directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.

Article 15 (Prohibition of engagement in unfair competitions)

The Company shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

Article 16 (Prevention of products or services damaging stakeholders)

In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and its directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly damaging



the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the Company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the Company shall, in principle, recall those products or suspend the services immediately.

#### Article 17 (Organization and responsibility)

The directors, managers, employees, mandataries, and substantial controllers of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To ensure proper integrity management, the Company shall appoint a dedicated unit that specializes in the establishment, supervision, and execution of the Business Integrity Code of Conduct and Prevention. If material violation occurs, the board of directors shall be notified.

#### Article 18 (Compliance with laws and regulations when conducting business)

The Company and its directors, managers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.

#### Article 19 (Recusal)

The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the company.

When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, managers, and other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.

The Company's directors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other persons.

#### Article 20 (Accounting and internal control)

The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results. The Company's internal auditors shall audit the compliance of the system of the preceding paragraph on a regular basis and compile an audit report to submit to the board of directors.

#### Article 21 (Operational procedures and conduct guidelines)

Where the Company establishes preventive measures in accordance with Article 6 hereof to guide directors, managers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters:

- I. Standards for determining whether improper benefits have been offered or accepted.
- II. Procedures for offering legitimate political donations.
- III. Procedures and the standard rates for offering charitable donations or sponsorship.
- IV. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
- V. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
- VI. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
- VII. Handling procedures for violations of these Principles.
- VIII. Disciplinary measures on offenders.

#### Article 22 (Training and appraisals )

The chairperson, general manager, or senior management of the Company shall communicate the importance of corporate ethics to its directors, employees, and mandataries on a regular basis.

The Company shall adequately organize training and awareness programs for directors, managers, employees, mandataries, and substantial controllers and invite the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct. The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

Article 23 (Whistle-blowing system)

The Company has established whistle-blowing mailboxes (email box: [580@ose.com.tw](mailto:580@ose.com.tw) and [csr@ose.com.tw](mailto:csr@ose.com.tw)). For those who make a report on violation of unethical conduct, the identity of the whistle-blower and the content of the matter will be kept confidential by the Company. The Company gives penalty to the offender in accordance with the Work Rules, Employee Reward and Penalty Operation Management Procedures, and related laws and regulations.

Article 24 (Information disclosure)

The Company shall disclose the measures taken for implementing ethical corporate management, the status of implementation on the Company website, annual reports, and prospectuses, and shall disclose their ethical corporate management best practice principles on the Market Observation Post System.

Article 25 (Reviews and improvements of ethical corporate management policies and measures)

The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

Article 26 (Implementation)

The ethical corporate management best practice principles of the Company shall be implemented after the board of directors grants the approval, and shall be submitted at the shareholders' meeting. The same procedure shall be followed when the principles have been amended.

**Independent Auditors' Audit Report**  
English Translation of a Report Originally Issued in Chinese

To Orient Semiconductor Electronics Limited

**Opinion**

We have audited the accompanying parent company only balance sheets of Orient Semiconductor Electronics Limited (the "Company") as of December 31, 2019 and 2018, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the financial statements, including the summary of significant accounting policies (collectively referred to as "the financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter – Making Reference to the Audits of Component Auditors section of our report), the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and their financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 1. Validity of occurrence of sales revenue from main customers

Net sales recognized by the Company amounted to \$17,235,914 thousand for the years ended December 31, 2019. This is 15% increase in comparison with net sales of 2018. Among this value, approximately 84% comes from the main customers of the Company. Hence, validity of occurrence of sales revenue from main customers have significant influence on the parent company only financial statement. Therefore, we considered this a key audit matter.

Our audit procedures included, but not limited to, assessing the appropriateness of the accounting policy of revenue recognition ; evaluating and testing the design and operating effectiveness of internal controls around revenue recognition; performing cut-off tests by selecting samples of transactions from either side of the balance sheet date and vouching related certificates to verify correctness of the timing of recognizing transaction; obtaining the list of main customers for 2019 and assessing if their backgrounds, transaction amounts were consistent with their scale ; selecting samples to perform test of details and reviewing significant contract terms and conditions to verify the accuracy of sales revenue.

We also considered the appropriateness of the disclosures of sales. Please refer to Notes 4 and 6 to the parent company only financial statements.

## 2. Deferred tax assets

The Company recognized deferred tax assets in the amount of \$1,546,059 thousand, for the years ended December 31, 2019. The recognition of deferred tax assets for the related unused tax losses, unused tax credits, and deductible temporary differences arising from operating entities located in other areas is based on management estimates of its future available taxable profits and the probability that the related deferred tax assets will be realized. As a result, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) understanding and testing the controls surrounding the Company's assessment process for recognition of deferred tax assets; understanding the Company's significant operating entities for which deferred tax assets were recognized and assessing the management estimates for assumptions used in the future cash flow projection and future taxable profits calculation; retrospectively reviewing the accuracy of assumptions used in prior-period estimates of future cash flow projection and assessing whether there were any other matters that will affect the recognition of deferred tax assets; and assessing the adequacy of the Company's disclosures regarding its deferred tax asset recognition policy and other related disclosures.

We also considered the appropriateness of the income tax disclosures. Please refer to Notes 5 and 6 to the parent company only financial statements.



### **Other Matter – Making Reference to the Audits of Component Auditors**

We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures included OSE PHILIPPINES, INC., OSE PROPERTIES, INC. and OSE USA, INC., and the balances of investments in these investee companies accounted for using the equity method amounted to \$96,341 thousand and \$123,476 thousand, representing 0.61% and 0.74% of parent company only total assets as of December 31, 2019 and 2018, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to (\$25,100) thousand and (\$34,437) thousand, representing (3.42%) and 9.20% of the parent company only net income and net loss before tax for the years ended December 31, 2019 and 2018, respectively. The share of other comprehensive income of associates and joint ventures were \$1,081 thousand and \$0 for the years ended December 31, 2019 and 2018.

### **Emphasis of Matter – Applying New Accounting Standards**

Note 3 to the parent company only financial statements stated that the Company applied the International Financial Reporting Standard 16, “Leases” starting from January 1, 2019, and elected not to restate the parent company only financial statements for prior periods. Our conclusion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chen, Chih-Chung

Chen, Cheng-Chu

Ernst & Young, Taiwan

March 27, 2020

#### Notice to Readers

The accompanying financial statements are intended only to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying financial statements and report of independent accountants 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. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.



English Translation of Financial Statements Originally Issued in Chinese

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4, 6.(1)	\$1,491,029	9	\$555,480	3
Contract assets-Current	4, 6.(18)	302,982	2	425,684	3
Notes receivable	4, 6.(2)	1,770	—	10,510	—
Accounts receivable-Non Affiliates	4, 6.(3), 8	2,421,804	15	2,355,244	14
Accounts receivable-Affiliates	4, 6.(3), 7	229,557	2	694,335	4
Other receivable-Non Affiliates	4	28,562	—	41,993	—
Other receivable-Affiliates	4, 7	5,811	—	14,376	—
Inventories	4, 6.(4)	1,049,757	7	1,254,084	8
Prepayments	4, 6.(9)	45,339	—	42,887	—
Other current assets		24,611	—	37,863	—
Other financial assets-Current	8	154,226	1	243,615	2
Total current assets		5,755,448	36	5,676,071	34
Non-current assets					
Financial assets at fair value through other comprehensive income-Non current	4, 6.(5)	226,860	2	234,878	1
Investments accounted for using the equity method	4, 6.(6), 8	1,117,589	7	1,099,290	7
Property, plant, and equipment	4, 6.(7), 8	6,220,127	39	7,012,652	42
Right-of-use asset	4, 6.(20)	159,535	1	—	—
Intangible assets	4, 6.(8)	58,192	—	89,266	1
Deferred income tax assets	4, 6.(24)	1,546,059	10	1,688,163	10
Prepayment for equipment	4, 6.(9)	151,424	1	180,354	1
Refundable deposits	8	136,251	1	168,428	1
Long-term receivables-Affiliates	4, 6.(10), 7	496,399	3	499,401	3
Other non-current assets	4	4,281	—	6,556	—
Total non-current assets		10,116,717	64	10,978,988	66
Total assets		\$15,872,165	100	\$16,655,059	100

(The accompanying notes are an integral part of the financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
Current liabilities					
Short-term loans	6.(11)	\$2,373,766	15	\$2,806,857	17
Short-term notes payable	6.(12)	379,210	2	349,610	2
Contract Liabilities-Current	4, 6.(18)	27,845	—	15,150	—
Notes payable		14,197	—	49,126	—
Other notes payable		40,306	—	13,072	—
Accounts payable-Non Affiliates		2,923,081	19	3,097,264	19
Accounts payable-Affiliates	7	209,377	1	142,171	1
Accrued expenses		836,486	5	702,482	4
Payables on equipment		147,286	1	239,748	2
Lease liabilities-Current	4, 6.(20)	13,864	—	—	—
Current portion of long-term loans	6.(13)	1,190,490	8	1,340,270	8
Lease payable-Current	4, 6.(14)	—	—	2,610	—
Other current liabilities		117,507	1	147,895	1
Total current liabilities		8,273,415	52	8,906,255	53
Non-current liabilities					
Long-term loans	6.(13)	904,836	6	1,713,245	10
Deferred tax liabilities	4, 6.(24)	31,272	—	33,639	—
Lease liabilities-Non current	4, 6.(20)	146,759	1	—	—
Net defined benefit liabilities-Non current	4, 6.(15)	430,850	3	495,896	3
Credit balance for investments accounted for using equity method	4, 6.(6)	15,404	—	—	—
Other non-current liabilities-Others	4	3,474	—	3,424	—
Total non-current liabilities		1,532,595	10	2,246,204	13
Total liabilities		9,806,010	62	11,152,459	67
Equity	4, 6.(16)				
Capital					
Common stock		5,573,285	35	5,523,285	33
Additional paid-in capital		45,711	—	20,104	—
Retained earnings					
Undistributed earnings (Retained deficits)		537,191	3	(44,832)	—
Other Components of Equity	4, 6.(17)	(90,032)	—	4,043	—
Total stockholders' equity		6,066,155	38	5,502,600	33
Total liabilities and stockholders' equity		\$15,872,165	100	\$16,655,059	100

(The accompanying notes are an integral part of the financial statements.)

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
For the Years Ended December 31, 2019 and 2018  
(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	2019		2018	
		Amount	%	Amount	%
Net revenue	4, 6.(18), 7	\$17,235,914	100	\$14,924,371	100
Cost of goods sold	4, 6.(4), 6.(21)	(15,538,410)	(90)	(14,480,558)	(97)
Gross profit		1,697,504	10	443,813	3
Operating expenses	4, 6.(21)				
Selling and administration expenses		(648,531)	(4)	(555,916)	(4)
Research and development expenses		(278,307)	(2)	(270,528)	(2)
Expected credit losses	4, 6.(19)	(7,714)	—	(15,338)	—
Subtotal		(934,552)	(6)	(841,782)	(6)
Net other operating income and expenses		357	—	—	—
Operating income (loss)		763,309	4	(397,969)	(3)
Non-operating income and expenses	6.(22)				
Other income		52,669	—	64,328	—
Other gains and losses		(7,771)	—	21,241	—
Financial costs		(113,801)	—	(125,986)	—
Expected credit loss	4, 6.(19)	(1,148)	—	—	—
Share of profits of associates and joint ventures under equity method	4, 6.(6)	40,743	—	68,766	—
Subtotal		(29,308)	—	28,349	—
Pretax income (loss)		734,001	4	(369,620)	(3)
Income tax (expense) benefit	4, 6.(24)	(146,041)	(1)	258,072	2
Net income (loss)		587,960	3	(111,548)	(1)
Other comprehensive income (loss)	4, 6.(23)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans		(8,772)	—	(42,568)	—
Unrealized gains or losses on financial assets measured at fair value through other comprehensive income		(8,018)	—	(17,627)	—
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income of subsidiaries, associates and joint ventures accounting for using the equity method		—	—	(4,553)	—
Income tax related to items that will not be reclassified		2,170	—	8,780	—
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(18,965)	—	17,469	—
Share of other comprehensive income of associates and joint ventures		1,081	—	—	—
Income tax related to items that may be reclassified		3,793	—	(7,408)	—
Total other comprehensive income (loss), net of tax		(28,711)	—	(45,907)	—
Total comprehensive income (loss)		\$559,249	3	(\$157,455)	(1)
Basic earnings (losses) per share (Expressed in NTD)	4, 6.(25)	\$1.06		(\$0.20)	
Diluted earnings (losses) per share (Expressed in NTD)	4, 6.(25)	\$1.06		(\$0.20)	

(The accompanying notes are an integral part of the financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2019 and 2018

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Common stock	Capitla Surplus	Retained earnings	Other equity				Total Equity
			Undistributed earnings (Retained deficits)	Exchange differences on translation of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	Unrealized gains or losses from available-for-sale financial assets	Employee Unearned Benefit	
Balance as of January 1, 2018	\$8,060,158	\$21,420	(\$2,536,872)	(\$30,156)	—	\$145,296	—	\$5,659,846
Impact of retroactive applications			260,065	—	(\$113,244)	(145,296)	—	1,525
Adjusted balance as of January 1, 2018	8,060,158	21,420	(2,276,807)	(30,156)	(113,244)	—	—	5,661,371
Share of changes in net assets of associates and joint ventures accounted for using the equity method	—	(1,316)	—	—	—	—	—	(1,316)
Loss for the years ended December 31, 2018	—	—	(111,548)	—	—	—	—	(111,548)
Other comprehensive income (loss) for the years ended December 31, 2018	—	—	(31,860)	10,061	(24,108)	—	—	(45,907)
Total comprehensive income (loss)	—	—	(143,408)	10,061	(24,108)	—	—	(157,455)
Capital reduction for cover accumulated deficits	(2,536,873)	—	2,536,873	—	—	—	—	—
Proceeds from disposal of equity instruments at fair value through other comprehensive income	—	—	(161,490)	—	161,490	—	—	—
Balance as of December 31, 2018	\$5,523,285	\$20,104	(\$44,832)	(\$20,095)	\$24,138	—	—	\$5,502,600
Balance as of January 1, 2019	\$5,523,285	\$20,104	(\$44,832)	(\$20,095)	\$24,138	—	—	\$5,829,280
Share of changes in net assets of associates and joint ventures accounted for using the equity method	—	(122)	—	—	—	—	—	(122)
Income for the years ended December 31, 2019	—	—	587,960	—	—	—	—	587,960
Other comprehensive income (loss) for the years ended December 31, 2019	—	—	(5,937)	(15,172)	(7,602)	—	—	(28,711)
Total comprehensive income (loss)	—	—	582,023	(15,172)	(7,602)	—	—	559,249
Share-based payment transaction	50,000	25,729	—	—	—	—	(\$71,301)	4,428
Balance as of December 31, 2019	\$5,573,285	\$45,711	\$537,191	(\$35,267)	\$16,536	—	(\$71,301)	\$6,066,155

(The accompanying notes are an integral part of the financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2019 and 2018  
(Amounts expressed in Thousands of New Taiwan Dollars)

Items	2019	2018	Items	2019	2018
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Pretax income (loss)	\$734,001	(\$369,620)	Disposal of financial asset at fair value through profit or loss	—	38,184
Adjustments to reconcile net loss before tax to net			Acquisition of property, plant and equipment	(723,348)	(762,947)
The profit or loss items which did not affect cash flows:			Disposal of property, plant and equipment	43,900	41,029
Depreciation	1,446,034	1,382,760	Decrease in refundable deposits	32,177	18,134
Amortization	65,235	61,468	Acquisition of intangible assets	(32,657)	(63,714)
Expected credit loss	8,862	15,338	Decrease (Increase) in long-term receivables	3,002	(22,610)
Net (gain) of financial assets and liabilities at fair value through profit or loss	—	(7,371)	Net cash (used in) investing activities	(676,926)	(751,924)
Interest expense	113,801	125,986			
Interest revenue	(10,833)	(13,386)	Cash flows from financing activities:		
Compensation costs of shared-based payment	4,428	—	Increase in short-term loans	—	614,356
Share of (profit) of associates accounted for using the equity method	(40,743)	(68,766)	(Decrease) in short-term loans	(433,155)	—
(Gain) on disposal of property, plant and equipment	(41,191)	(6,464)	Increase in short-term notes payable	379,210	349,610
Others	109,757	43,705	(Decrease) in short-term notes payable	(349,610)	(398,938)
Changes in operating assets and liabilities:			Increase in long-term loans	1,300,000	1,011,376
Decrease (Increase) in contract assets	122,702	(213,080)	Repayment of long-term loans	(2,262,010)	(1,711,897)
Decrease in notes receivable	8,740	1,440	Increase in guarantee deposits received	50	—
(Increase) in accounts receivable-non affiliates	(75,474)	(86,679)	(Decrease) in guarantee deposits received	—	(50)
Decrease (Increase) in accounts receivable-affiliates	465,978	(457,354)	Increase in lease payable	—	30,380
Decrease (Increase) in other receivable-non affiliates	18,698	(5,439)	(Decrease) in lease payable	—	(52,321)
Decrease in other receivable-affiliates	28,627	12,668	Repayment of lease liabilities	(18,794)	—
Decrease (Increase) in inventories	94,214	(319,835)	Interest paid	(116,497)	(123,894)
Decrease (Increase) in prepayments	22,429	(1,902)	Other financing activities	89,389	267,345
Decrease (Increase) in other current assets	13,267	(14,970)	Net cash (used in) financing activities	(1,411,417)	(14,033)
Decrease in other non-current assets	766	1,040			
Increase (Decrease) in contract liabilities	12,695	(30,632)			
(Decrease) Increase in notes payable-non affiliates	(7,695)	35,833	Net Increase (Decrease) in cash and cash equivalents	935,549	(504,563)
(Decrease) Increase in accounts payable-non affiliates	(174,183)	142,956	Cash and cash equivalents, beginning of period	555,480	1,060,043
Increase in accounts payable-affiliates	67,206	24,034	Cash and cash equivalents, end of period	\$1,491,029	\$555,480
Increase (Decrease) in other payable	2,696	(2,092)			
Increase in other current liabilities	103,616	91,674			
(Decrease) in net defined benefit liabilities	(73,818)	(84,455)			
Cash generated from operation	3,019,815	256,857			
Interest received	4,418	4,637			
Income tax paid	(341)	(100)			
Net cash provided by operating activities	3,023,892	261,394			

(The accompanying notes are an integral part of the financial statements.)

**Independent Auditors' Report**  
**English Translation of a Report Originally Issued in Chinese**

To Orient Semiconductor Electronics Limited

**Opinion**

We have audited the accompanying consolidated balance sheets of Orient Semiconductor Electronics Limited (the "Company") and its subsidiaries as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively referred to as "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter – Making Reference to the Audits of Component Auditors section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2019 and 2018, and their consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matter.

### 1. Validity of occurrence of sales revenue from main customers

Net sales recognized by the Group amounted to \$17,515,145 thousand for the year ended December 31, 2019. This is 15% increase in comparison with net sales of 2018. Among this value, approximately 83% comes from the main customers of the Group. Hence, validity of occurrence of sales revenue from main customers have significant influence on the consolidated financial statement. Therefore, we considered this a key audit matter.

Our audit procedures included, but not limited to, assessing the appropriateness of the accounting policy of revenue recognition; evaluating and testing the design and operating effectiveness of internal controls around revenue recognition; performing cut-off tests by selecting samples of transactions from either side of the balance sheet date and vouching related certificates to verify correctness of the timing of recognizing transaction; obtaining the list of main customers for 2019 and assessing if their backgrounds, transaction amounts were consistent with their scale ; selecting samples to perform test of details and reviewing significant contract terms and conditions to verify the accuracy of sales revenue.

We also considered the appropriateness of the disclosures of sales. Please refer to Notes 4 and 6 to the Company's consolidated financial statements.

### 2. Deferred tax assets

The Group recognized deferred tax assets in the amount of \$1,547,937 thousand, for the year ended December 31, 2019. The recognition of deferred tax assets for the related unused tax losses, unused tax credits, and deductible temporary differences arising from operating entities located in other areas was based on management estimates of its future available taxable profits and the probability that the related deferred tax assets will be realized. As a result, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) understanding and testing the controls surrounding the Company's assessment process for recognition of deferred tax assets; understanding the Company's significant operating entities for which deferred tax assets were recognized and assessing the management estimates for assumptions used in the future cash flow projection and future taxable profits calculation; retrospectively reviewing the accuracy of assumptions used in prior-period estimates of future cash flow projection and assessing whether there were any other matters that will affect the recognition of deferred tax assets; and assessing the adequacy of the Company's disclosures regarding its deferred tax asset recognition policy and other related disclosures.

We also considered the appropriateness of the income tax disclosures. Please refer to Notes 5 and 6 to the Company's consolidated financial statements.



### **Other Matter – Making Reference to the Audits of Component Auditors**

We did not audit the financial statements of certain consolidated subsidiaries, whose statements reflected total assets of \$800,395 thousand and \$767,296 thousand accounting for 5.03% and 4.58% of consolidated total assets as of December 31, 2019 and 2018, respectively; total operating revenues amounted to \$59,130 thousand and \$53,080 thousand, constituting 0.34% and 0.35% of consolidated operating revenues for the years ended December 31, 2019 and 2018, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors.

### **Emphasis of Matter – Applying New Accounting Standards**

Note 3 to the consolidated financial statements stated, that the Company and its subsidiaries applied the International Financial Reporting Standard 16, “Leases” starting from January 1, 2019, and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2019 and 2018.

Chen, Chih-Chung

Chen, Cheng-Chu

Ernst & Young, Taiwan

March 27, 2020

#### Notice to Readers

The accompanying financial statements are intended only to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying financial statements and report of independent accountants 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. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese  
ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
As of December 31, 2019 and 2018  
(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4, 6.(1)	\$1,701,412	11	\$762,311	5
Contract assets-Current	4, 6.(19)	302,982	2	425,684	3
Notes receivable	4, 6.(2)	1,770	—	10,510	—
Accounts receivable-Non Affiliates	4, 6.(3), 8	2,455,324	16	2,385,100	14
Accounts receivable-Affiliates	4, 6.(3), 7	229,557	1	694,148	4
Other receivable-Non Affiliates	4	31,044	—	44,844	—
Other receivable-Affiliates	4,7	50,435	—	54,767	1
Inventories	4, 6.(4)	1,250,419	8	1,567,469	9
Prepayments	4, 6.(10)	53,122	—	51,448	—
Other current assets		28,179	—	36,377	—
Other financial assets-Current	8	154,226	1	243,615	1
Total current assets		6,258,470	39	6,276,273	37
Non-current assets					
Financial assets at fair value through other comprehensive income-Non current	4, 6.(5)	226,860	1	234,878	1
Investments accounted for using the equity method	4, 6.(6),8	459,383	3	458,078	3
Property, plant, and equipment	4, 6.(7), 8	6,264,246	39	7,063,908	42
Right-of-use assets	4, 6.(21)	253,847	2	—	—
Investment Property	4, 6.(8)	440,433	3	481,619	3
Intangible assets	4, 6.(9)	58,445	—	89,633	1
Deferred income tax assets	4, 6.(25)	1,547,937	10	1,688,163	10
Prepayment for equipment	4, 6.(10)	151,901	1	180,354	1
Refundable deposits	8	157,615	1	201,903	1
Long-term receivables-Affiliates	4, 6.(11), 7	93,315	1	95,300	1
Other non-current assets	4	6,298	—	9,973	—
Total non-current assets		9,660,280	61	10,503,809	63
Total assets		\$15,918,750	100	\$16,780,082	100

(The accompanying notes are an integral part of the financial statements.)

English Translation of Financial Statements Originally Issued in Chinese  
ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
As of December 31, 2019 and 2018  
(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
Current liabilities					
Short-term loans	6.(12), 7	\$2,373,766	15	\$2,806,857	17
Short-term notes payable	6.(13)	379,210	2	349,610	2
Contract Liabilities-Current	4, 6.(19)	29,439	—	15,821	1
Notes payable	4	14,197	—	49,126	—
Other notes payable	4	40,306	—	13,072	—
Accounts payable-Non Affiliates	4	3,057,906	19	3,295,988	20
Accounts payable-Affiliates	4,7	38,483	—	49,210	—
Accrued expenses		875,613	6	751,041	4
Payables on equipment		147,286	1	239,748	1
Current income tax liabilities	4, 6.(25)	—	—	2,175	—
Lease liabilities-Current	4, 6.(21)	25,725	—	—	—
Current portion of long-term loans	6.(14)	1,190,490	8	1,340,270	8
Lease payable-Current	4, 6.(15)	—	—	2,610	—
Other current liabilities		90,967	1	115,652	1
Total current liabilities		8,263,388	52	9,031,180	54
Non-current liabilities					
Long-term loans	6.(14)	904,836	6	1,713,245	10
Deferred tax liabilities	4, 6.(25)	31,272	—	33,639	—
Lease liabilities-Non current	4, 6.(21)	218,681	1	—	—
Net defined benefit liability-Non current	4, 6.(16)	430,850	3	495,896	3
Other non-current liabilities-Others	4	3,568	—	3,522	—
Total non-current liabilities		1,589,207	10	2,246,302	13
Total liabilities		9,852,595	62	11,277,482	67
Equity attributable to the parent company	4, 6.(17)				
Capital					
Common stock		5,573,285	35	5,523,285	33
Additional paid-in capital		45,711	—	20,104	—
Retained earnings					
Undistributed earnings ( Retained deficits )		537,191	3	(44,832)	—
Other Components of Equity	4, 6.(18)	(90,032)	—	4,043	—
Equity attributable to stockholders of the parent		6,066,155	38	5,502,600	33
Total stockholders' equity		6,066,155	38	5,502,600	33
Total liabilities and stockholders' equity		\$15,918,750	100	\$16,780,082	100

(The accompanying notes are an integral part of the financial statements.)

English Translation of Financial Statements Originally Issued in Chinese  
ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the years ended December 31, 2019 and 2018  
(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	2019		2018	
		Amount	%	Amount	%
Net revenue	4, 6.(19), 7	\$17,515,145	100	\$15,188,192	100
Cost of goods sold	4, 6.(4), 6.(22)	(15,742,203)	(90)	(14,656,055)	(96)
Gross profit		1,772,942	10	532,137	4
Operating expenses	4, 6.(22)				
Selling and administration expenses		(710,778)	(4)	(652,527)	(4)
Research and development expenses		(278,307)	(2)	(270,528)	(2)
Expected credit losses	4, 6.(20)	(7,742)	—	(15,145)	—
Subtotal		(996,827)	(6)	(938,200)	(6)
Net other operating income and expenses		357	—	—	—
Operating income(loss)		776,472	4	(406,063)	(2)
Non-operating income and expenses	6.(23)				
Other income		50,464	—	74,246	—
Other gains and losses		(13,999)	—	26,770	—
Financial costs		(115,732)	—	(125,986)	(1)
Expected credit loss	4, 6.(20)	(1,148)	—	—	—
Share of profit of associates under equity method	4, 6.(6)	40,536	—	68,497	—
Subtotal		(39,879)	—	43,527	(1)
Pretax income (loss)		736,593	4	(362,536)	(3)
Income tax (expense) benefit	4, 6.(25)	(148,633)	(1)	250,988	2
Consolidated net income (loss)		587,960	3	(111,548)	(1)
Other comprehensive income (loss)	4, 6.(24)				
Items that will not be reclassified subsequently to profit or loss :					
Remeasurements of defined benefit plans		(8,772)	—	(42,568)	—
Unrealized gains or losses on financial assets at fair value through other comprehensive income		(8,018)	—	(22,180)	—
Income tax related to items that will not be reclassified		2,170	—	8,780	—
Items that may be reclassified subsequently to profit or loss :					
Exchange differences on translation of foreign operations		(18,965)	—	17,469	—
Share of other comprehensive income of associates and joint ventures		1,081	—	—	—
Income tax related to items that may be reclassified		3,793	—	(7,408)	—
Total other comprehensive income (loss), net of tax		(28,711)	—	(45,907)	—
Total comprehensive income (loss)		\$559,249	3	(\$157,455)	(1)
Consolidated net income (loss) attributable to:					
Common stockholders of the parent		\$587,960	3	(\$111,548)	(1)
Non controlling interests		—	—	—	—
		\$587,960	3	(\$111,548)	(1)
Consolidated comprehensive income attributable to:					
Common stockholders of the parent		\$559,249	3	(\$157,455)	(1)
Non-controlling interests		—	—	—	—
		\$559,249	3	(\$157,455)	(1)
Basic earnings (losses) per share (Expressed in NTD)	4, 6.(26)	\$1.06		(\$0.20)	
Diluted earnings (losses) per share (Expressed in NTD)	4, 6.(26)	\$1.06		(\$0.20)	

(The accompanying notes are an integral part of the financial statements.)

English Translation of Financial Statements Originally Issued in Chinese  
ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the years ended December 31, 2019 and 2018  
(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Equity attributable to stockholders of the parent							Total	Total Equity
	Common stock	Capital surplus	Retained earnings	Other equity					
			Undistributed earnings (Retained deficits)	Exchange differences on translation of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	Unrealized gains from available-for-sale financial assets	Employee Unearned Benefit		
Balance as of January 1, 2018	\$8,060,158	\$21,420	(\$2,536,872)	(\$30,156)	—	\$145,296	—	\$5,659,846	\$5,659,846
Impact of retroactive applications	—	—	260,065	—	(\$113,244)	(145,296)	—	1,525	1,525
Adjusted balance as of January 1, 2018	8,060,158	21,420	(2,276,807)	(30,156)	(113,244)	—	—	5,661,371	5,661,371
Share of changes in net assets of associates and joint ventures accounted for using equity method	—	(1,316)	—	—	—	—	—	(1,316)	(1,316)
Loss for the years ended December 31, 2018	—	—	(111,548)	—	—	—	—	(111,548)	(111,548)
Other comprehensive income (loss) for the years ended December 31, 2018	—	—	(31,860)	10,061	(24,108)	—	—	(45,907)	(45,907)
Total comprehensive income (loss)	—	—	(143,408)	10,061	(24,108)	—	—	(157,455)	(157,455)
Capital reduction for cover accumulated deficits	(2,536,873)	—	2,536,873	—	—	—	—	—	—
Proceeds from disposal of equity instruments at fair value through other comprehensive income	—	—	(161,490)	—	161,490	—	—	—	—
Balance as of December 31, 2018	\$5,523,285	\$20,104	(\$44,832)	(\$20,095)	\$24,138	—	—	\$5,502,600	\$5,502,600
Balance as of January 1, 2019	\$5,523,285	\$20,104	(\$44,832)	(\$20,095)	\$24,138	—	—	\$5,502,600	\$5,502,600
Share of changes in net assets of associates and joint ventures accounted for using equity method	—	(122)	—	—	—	—	—	(122)	(122)
Income for the years ended December 31, 2019	—	—	587,960	—	—	—	—	587,960	587,960
Other comprehensive income (loss) for the years ended December 31, 2019	—	—	(5,937)	(15,172)	(7,602)	—	—	(28,711)	(28,711)
Total comprehensive income (loss)	—	—	582,023	(15,172)	(7,602)	—	—	559,249	559,249
Share-based payment transaction	50,000	25,729	—	—	—	—	(\$71,301)	4,428	4,428
Balance as of December 31, 2019	\$5,573,285	\$45,711	\$537,191	(\$35,267)	\$16,536	—	(\$71,301)	\$6,066,155	\$6,066,155

(The accompanying notes are an integral part of the financial statements.)

English Translation of Financial Statements Originally Issued in Chinese  
ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2019 and 2018  
(Amounts expressed in Thousands of New Taiwan Dollars)

Items	2019	2018	Items	2019	2018
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Pretax income (loss)	\$736,593	(\$362,536)	Disposal of financial assets at fair value through profit or loss	—	38,184
Adjustments to reconcile net income (loss) before tax to net			Acquisition of property, plant and equipment	(728,482)	(772,963)
The profit or loss items which did not affect cash flows:			Disposal of property, plant and equipment	48,897	41,696
Depreciation	1,491,025	1,414,983	Decrease in refundable deposits	44,288	7,066
Amortization	65,339	61,792	Acquisition of intangible assets	(32,657)	(63,714)
Expected credit loss	8,890	15,145	Decrease (Increase) in long-term receivables	1,985	(2,916)
Net (gain) of financial assets and liabilities at fair value through profit or loss	—	(7,371)	Other investing activities	—	(879)
Interest expense	115,732	125,986	Net cash (used in) investing activities	(665,969)	(753,526)
Interest revenue	(5,951)	(8,754)			
Compensation costs of share-based payment	4,428	—	Cash flows from financing activities:		
Share of (profit) of associates accounted for using the equity method	(40,536)	(68,497)	Increase in short-term loans	—	614,356
(Gain) on disposal of property, plant and equipment	(36,367)	(6,187)	(Decrease) in short-term loans	(433,155)	—
Others	105,471	48,841	Increase in short-term notes payable	379,210	349,610
			(Decrease) in short-term notes payable	(349,610)	(398,938)
Changes in operating assets and liabilities:			Increase in long-term loans	1,300,000	1,010,584
Decrease (Increase) in contract assets	122,702	(213,080)	Repayment of long-term loans	(2,262,010)	(1,711,897)
Decrease in notes receivable-non affiliates	8,740	1,440	Increase in guarantee deposits received	46	—
(Increase) in accounts receivable-non affiliates	(79,162)	(73,314)	(Decrease) in guarantee deposits received	—	(52)
Decrease (Increase) in accounts receivable-affiliates	465,791	(457,608)	Increase in lease payable	—	30,380
Decrease in other receivable-non affiliates	10,447	7,483	(Decrease) in lease payable	—	(52,321)
Decrease in other receivable-affiliates	41,019	23,538	Repayment of lease liabilities	(30,050)	—
Decrease (Increase) in inventories	211,432	(404,134)	Interest paid	(118,428)	(123,894)
Decrease in prepayments	11,759	11,325	Other financing activities	89,389	267,345
Decrease (Increase) in other current assets	8,228	(5,567)	Net cash (used in) financing activities	(1,424,608)	(14,827)
Decrease in other non-current assets	2,166	2,426			
Increase (Decrease) in contract liabilities	13,618	(35,931)	Effect of exchange rate changes on cash and cash equivalents	(5,102)	430
(Decrease) Increase in notes payable-non affiliates	(7,695)	35,833	Net Increase (Decrease) in cash and cash equivalents	939,101	(531,936)
(Decrease) Increase in accounts payable-non affiliates	(238,082)	118,636	Cash and cash equivalents, beginning of period	762,311	1,294,247
(Decrease) Increase in accounts payable-affiliates	(10,727)	30,763	Cash and cash equivalents, end of period	\$1,701,412	\$762,311
Increase (Decrease) in other payable	2,696	(2,092)			
Increase in other current liabilities	99,887	65,746			
(Decrease) in net defined liabilities	(73,818)	(84,455)			
Cash generated from operations	3,033,625	234,411			
Interest received	5,966	8,761			
Income tax (paid)	(4,811)	(7,185)			
Net cash provided by operating activities	3,034,780	235,987			

(The accompanying notes are an integral part of the financial statements.)

## Orient Semiconductor Electronics, Ltd.

2019 Earnings Distribution Table

Unit: NT\$

Item	Amount
Undistributed earnings at the beginning of the period (Losses not made up)	(\$44,832,325)
Less: Remeasurements of the defined benefit plans	(\$5,936,605)
Add: Net income	<u>587,959,558</u>
Net income add the amount of items other than net income that is include in the current undistributed earnings	537,190,628
Items	
Less: Legal reserve set aside (10%)	(53,719,063)
Less: Special reserve set aside (Note 1)	<u>(18,729,955)</u>
Accumulated distributable earnings as of the end of 2019	464,741,610
Distribution items	
Cash dividend - NT\$0.15 per share (Note 2)	<u>(82,849,280)</u>
Undistributed earnings at the end of the period	<u>381,892,330</u>
<p>Note 1: Legal reserve set aside is handled based on the Order No. Jin-Guan-Zheng 1010012865 issued on April 6, 2012 by the FSC.</p> <p>-18,729,955 listed in shareholders equity in 2019 includes:</p> <p>(1) Exchange differences on translation of foreign financial statements NT\$-35,266,342</p> <p>(2) Unrealized evaluation of gain and loss of financial assets measured at FVTOCI NT\$16,536,387.</p> <p>Note 2: The amount of shareholders' bonuses is calculated based on the Company's issued ordinary shares: 557,328,533 (among these, 70,784,915 are private placement of shares) after deducting outstanding ordinary shares of 552,328,533 of the new shares of restricted employee rights with no earnings distribution rights of 5,000,000 shares.</p> <p>Note 3: After that, if the shares outstanding are affected due to the Company's change of shares which result in a change of shares held by shareholders, it is proposed that the board of directors will be authorized by the general shareholders' meeting to fully handle the matter.</p>	



## Orient Semiconductor Electronics, Ltd.

## "Article of Incorporation"

## Comparison Table of Amendment Clauses

Clause No.	Content		Amendment basis and reasons
	After Amendment	Before Amendment	
Article 1	The Company has been founded in accordance with the Company Act and has been named the Orient Semiconductor Electronics, Ltd. <u>The Company's name in English is Orient Semiconductor Electronics, Ltd.</u>	The Company has been founded in accordance with the Company Act and has been named the Orient Semiconductor Electronics, Ltd.	The Company's name in English has been specified as required in Article 392-1 of the Company Act.
Article 3	<u>The Company's public announcements are duly made in accordance with the Company Act of the R.O.C and other applicable laws and regulations.</u>	Deleted.	As required in Article 28 of the Company Act, the appropriate legal basis of announcement method has been specified.
Article 26-1	<u>The Company's earnings distribution or loss make-up shall be carried out after the end of each quarter. Earnings are distributed in cash and shall be resolved by the board of directors and reported to the shareholders' meeting as required in Article 228-1 and Article 240 Paragraph 5 of the Company Act.</u> Omission	(New)  Omission	As required in Article 228-1, earnings distribution may be distributed at the close of each quarter or each half fiscal year.
Article 30	Omission The forty-fifth amendment was made on June 18,2019. <u>The forty-sixth amendment was made on June 18,2020.</u>	Omission The forty-fifth amendment was made on June 18,2019.	Add the date of the amendment.

# Orient Semiconductor Electronics, Ltd.

## Rules of Procedure for Shareholders' Meetings

Establishment on March 8, 1990

Amendment on June 08, 2002

Amendment on June 11, 2013

- I. Unless otherwise provided by laws, the Company's shareholders' meeting shall be subject to this rule.
- II. The attending shareholders shall provide the sign-in card instead of signing in, and the number of attending shares shall be calculated according to the number of the sign-in cards.
- III. The attendance and voting for the shareholders' meeting shall be calculated by the shares.
- IV. The place where the shareholders' meeting is held shall be at the place where the Company is located or where it is convenient for the shareholders' attending and shall be suitable for the shareholders' meeting. The starting time for the meeting shall not be earlier than 9.00 am or later than 3.00 pm.
- V. When the shareholders' meeting is convened by the board of directors, the chairperson shall chair the meeting. If the chairperson is on leave or unable to exercise the duties for certain reasons, the vice chairperson shall represent. If there is no vice chairperson or the vice chairperson is also on leave or unable to exercise the duties for certain reasons, the chairperson shall appoint one of the executive directors to represent. If there is no executive directors, one of the directors shall be appointed to represent. If the chairperson does not appoint the representative, the executive directors or directors shall recommend one of them to represent.

Provided that the shareholders' meeting is convened by a person other than the board of directors who has authority to convene, such convener shall chair the meeting.
- VI. The Company may appoint its assigned lawyers, CPAs or the related persons to attend the shareholders' meeting.

The staff who are in charge of the matters of the shareholders' meeting shall wear identification badges or armbands.
- VII. The Company shall conduct the sound recording or video recording for the entire process of the shareholders' meeting and keep it for at least one year.
- VIII. At the time of the meeting, the chairperson shall call the meeting to order. However, if the attending shareholders do not represent more than half of the total number of shares issued, the chairperson may announce to postpone the meeting. The number of delays shall be limited to two times and total time delayed shall not exceed one hour. If the attending shareholders still do not represent one-thirds or more of the total numbers of shares issued after two-times of delays, the tentative resolutions may be made according to the first Paragraph of the Article 175 of the Company Act. Before the end of the meeting, if the attending shareholders have represented more than half of the total number of shares issued, the chairperson may re-report the tentative resolutions to the meeting for voting according to Article 174 of the Company Act.
- IX. When the shareholders' meeting is convened by the board of directors, its meeting agenda shall be determined by the board of directors. The meeting shall be conducted according to the scheduled agenda and shall not be changed without the resolution of the shareholders' meeting.

When the shareholders' meeting is convened by persons other than the board of directors who have authority to convene the meeting, the regulations of the preceding paragraph shall be applicable.

Before the scheduled agenda (including Questions and Motions) stated in the preceding two paragraphs are resolved, the chairperson shall not announce the adjournment.

After the adjournment of the meeting, the shareholders shall not elect another chairperson to continue the meeting at the same place or any other place. However, if the chairperson violates the meeting rules to announce the adjournment, the meeting may continue with the consent of more than half of the voting rights represented by the attending shareholders to elect one person to chair the meeting.

- X. Before the attending shareholders speak, they shall fill in the notes stating their subjects, their shareholder account numbers (or their attending certificate number) and their names. The chairperson shall determine the order of speaking.

The attending shareholders who provide the speaking notes but did not speak will be deemed as not having spoken. When the content of speaking is different from the speaking notes, the content of speaking notes shall prevail.

When an attending shareholder speaks, other shareholders shall not speak to interfere without the consent of the chairperson and the speaking shareholder. Any violations shall be prevented by the chairperson.

- XI. Without the consent of the chairperson Each shareholder on the same proposal shall not speak more than twice, and each speaking time shall not exceed 5 minutes. If a shareholder speaks in violation of the regulations stipulated in the preceding paragraph or exceeds the scope of the agenda, the chairperson shall prevent the speaker from going further.

- XII. When a legal person is delegated to attend the shareholders' meeting, such legal person shall only assign one person to present his/her attendance.

When a legal person assigns 2 or more representatives to attend the shareholders' meeting, the same proposal shall only be spoken by one person.

- XIII. After an attending shareholder speaks, the chairperson may answer in person or assign the related persons to answer.

- XIV. When the chairperson considers that the discussion of a proposal has reached the level of voting, such discussion may be stopped discussing and proceed with the voting.

- XV. The scrutineers and the tellers for the voting of the proposals shall be assigned by the chairperson, but the scrutineers shall be shareholders. The results of the voting shall be reported on the spot and made into a record.

- XVI. During the meeting, the chairperson may, at his or her discretion, announce to take a break.

- XVII. Unless otherwise provided by the Company Act and the Articles of Incorporation, the voting on a proposal shall be approved by more than half of the voting rights represented by the attending shareholders.

While voting, if the chairperson asks for an opinion and results in no objection, the motion shall be deemed to have been passed and its validity shall be the same as the voting.

- XVIII. If there are amendments or alternatives to the same proposal, the chairperson shall combine them together with the original proposal and determine their voting order. If one of the proposals has been passed, the other proposals shall be deemed to have been vetoed and no further votes are required.

- XIX. The chairperson may direct the pickets (or security guards) to assist in maintaining order in the venue. When the pickets (or security guards) are present to assist in maintaining order, the armbands with the printed words of "Picket" shall be worn.

XX. (Deleted)

XXI. This rule shall be approved by the shareholders' meeting and implemented afterwards. The amendment shall apply the same.

# Orient Semiconductor Electronics, Ltd.

## The Articles of Incorporation

### Chapter 1 General Provisions

- Article 1 The Company has been founded in accordance with the Company Act and has been named the Orient Semiconductor Electronics, Ltd.
- Article 2 The Company has established its head office at Nanzih Export Processing Zone in Kaohsiung City. If necessary, a branch company or more branches may be established at home or abroad with the resolution of the chairperson according to the laws.
- Article 3 Deleted.

### Chapter 2 Shares

- Article 4 The Company's total capital is NT\$20 billion, which is divided into 2 billion shares with the par value of NT\$10 per share. The total number of shares is issued in installments, in which ninety million shares are retained for the purpose of the share subscription warrants and the board of directors is authorized to resolve the issuance at a suitable time.
- Article 5 The Company's shares are all registered. Share certificates shall be affixed with the signatures and personal seals of three or more of the Company's directors and the serial numbers assigned. According to the laws, it shall be certified by the certifying institutions appointed by the competent authority before issuance. Taiwan Depository and Clearing Corporation may request to integrate and exchange to issue the large par value securities. The Company may deliver the stocks through the book-entry system with non-physical stocks according to the laws. The issuance of other securities shall apply the same.
- The shares issued by the Company may be exempt from printing stocks with the registration of the centralized securities depository corporation.
- Article 5-1 Deleted.
- Article 6 The Company shall conduct the stock affairs according to the "Criteria Governing Handling of Stock Affairs by Public Company" and the relevant laws announced by the concerned authority.
- Article 7 Deleted.
- Article 8 Deleted.
- Article 9 The share transfer registration shall be suspended within 60 days prior to the general shareholders' meeting, within 30 days prior to the special shareholders' meeting, or within 5 days prior to the target date fixed by the company for the distribution of dividends, bonus or other benefits.

### Chapter 3 Operations

- Article 10 The Company's business is listed as the left:
- (I) IC and various types of the semiconductor's parts and components.
  - (II) Various types of PCB for electronic, computer and communication.
  - (III) Hardware, software, systems and peripheral equipment for computer and communication products.
  - (IV) Research and development, design, manufacture, assembly, processing, testing and

after-sales service of the aforesaid products.

(V) General import and export trade business (except for licensing business).

Article 11 The Company may provide external guarantee business for the companies in the same industry.

#### Chapter 4 Shareholders' meeting

Article 12 The shareholders' meeting is divided into general meeting and special meeting. The general meeting shall be held once a year within 6 months after the end of fiscal year. The special meeting shall be held in accordance with the relevant laws when necessary; the special shareholders' meeting shall be held by the board of directors in accordance with the relevant laws when necessary.

Article 13 The resolution of the shareholders' meeting shall, unless otherwise provided by the Company Act, be attended by the shareholders who represent more than half of the total number of the shares issued, and shall be approved by more than half of voting rights represented by the attending shareholders.

Article 14 The Company's shareholders have one vote per share. However, in case there are any circumstances stated in Article 179 of the Company Act, such shares shall not have the voting rights.

Article 15 When a shareholder is unable to attend the shareholders' meeting for reasons, he or she may execute a power of attorney issued by the Company and state the scope of delegation to appoint a proxy to attend the shareholders' meeting. For the method for the shareholders to delegate their attendance, except for complying with Article 177 of the Company Act, it shall be subject to the "Regulations Governing the Use of Proxies for Attendance at the Shareholders' Meetings of Public Companies" published by the competent authority.

Article 16 The resolution of the shareholders' meeting shall be included into the meeting minutes, which shall be affixed with the chairperson's signature or personal seal and distributed to all shareholders within 20 days after the meeting. The distribution of the meeting minutes stated in the preceding paragraph shall be subject to Article 183 of the Company Act. The meeting minutes shall record the year, month, date and place of the meeting, the chairperson's name, the resolution method and the essentials of the meeting and its results. The meeting minutes shall be kept together with the sign-in book and the power of attorney in the Company.

Article 16-1 The shareholders' meeting shall be convened by the board of director and the chairperson shall chair the meeting. When the chairperson is absent, the chairperson shall appoint one of the directors to represent. If the chairperson does not appoint, one of the directors shall be elected as chairperson. If the meeting is convened by a person other than someone from the board of directors, such convener shall act as a chairperson. If there are two or more conveners, one of them shall be recommended as chairperson.

#### Chapter 5 Directors

Article 17 The Company has set up 5 to 9 directors, including at least 3 independent directors with the 3-year term, who shall be elected among the persons with disposing capacity by the shareholders' meeting and shall be re-elected. The elections of directors shall adopt the candidate nomination system.

The nomination acceptance methods for the candidates of the directors and its announcement shall be subject to the applicable regulations of the Company Act and the Securities and

Exchange Act. Independent directors and non-independent directors shall conduct elections together and calculate the number of elected seats, respectively. However, the total number of registered shares held by the directors other than independent directors shall be subject to the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies" published by the competent authority.

For the remuneration of all directors of the Company, the board of the director is authorized to resolve it according to their participation in the Company's operation, the contribution value to the Company and the reference to the standard in the same industry.

Article 17-1 When the vacancy of the directors reaches one-thirds, the board of director shall hold the special shareholders' meeting within 60 days to conduct by-election; and the term shall be the remaining period of the current term.

Article 17-2 The convening of the Company's board of directors' meeting may be notified by writing, e-mail or fax.

Article 17-3 The Company may purchase the liability insurance for the directors and the supervisors against the indemnification that shall be liable in accordance with the law in the execution of their duties during their term of office in order to reduce and mitigate the risk of material damage to the Company and shareholders due to errors or negligence. The board of directors is authorized to handle the insurance-related matters.

Article 17-4 The Company shall establish the audit committee, and may establish other functional committee.

The audit committee shall be constructed by all independent directors. Its members shall not be less than 3 persons; one of them shall be the convener; and at least one person shall have the professional in accounting or finance field.

The audit committee shall be responsible for executing the supervisors' authority stipulated in the Company Act, the Securities and Exchange Act and other laws and shall comply with the relevant laws and the Article of Incorporation.

Article 18 The Company sets up one chairperson and shall be mutually elected from among the directors according to law. The Chairperson shall represent the Company externally and shall be responsible for all decisions of the Company. If the chairperson is on leave or unable to exercise the duties for certain reasons, the chairperson shall appoint one of the directors to represent. If the chairperson does not appoint the representative, one of the directors shall be recommended to represent.

Article 19 Unless otherwise provided by the Company Act, the resolution of the board of directors shall be attended by more than half of the directors and approved by more than half of the directors present. When a director is unable to attend the board of directors' meeting for reasons, he or she may conclude the power of attorney that lists the scope of delegation for the meeting to delegate other directors to attend, but one person shall only be delegated by one person.

Article 20 All the Company's business shall be submitted to the president for execution after the resolution of the board of directors. The board of directors shall be responsible for the supervision and evaluation.

Article 21 Deleted.

Article 22 The company may set up a manager; his appointment, dismissal and compensation shall be subject to the Article 29 of the Company Act.

The Company's manager has the authority of managing affairs and signatures within the scope of the delegation stipulated in the Articles of Incorporation or contract.

Article 23 The Company may employ a number of consultants with the resolution of the board of directors.

#### Chapter 7 Accounting

Article 24 The Company's fiscal year is from January 1 to December 31 of each year.

Article 25 At the end of each fiscal year, the Company's board of director shall prepare the following reports and shall report to the annual general shareholders' meeting of the shareholders for recognition:

I. Business Report.

II. Financial Statement.

III. Proposal for earnings distribution or deficit compensation.

Article 26 The Company shall first reserve the amount of the accumulated loss from the Profit before tax of the year prior to deducting the compensation of the employees and remuneration of the directors. In the event of there being some remaining profit, it shall set aside 8% to 12% for the compensation of the employees and not higher than 3% for the remuneration of the directors.

The distribution ratios for the compensation of the employees and the remuneration of the directors as well as the distribution form by stock or cash shall be determined by the board of director with the attendance of two-thirds or more of the directors and resolution of one-half or more of the attending directors. And it shall be reported to the shareholders' meeting.

The counterparty of the employees' compensation with stock or cash may include the employees of the controlled or subordinate company who shall meet certain conditions.

Article 26-1 According to the Company's annual final accounts, the earnings shall, if any, be first provided for taxation and offset to the accumulated losses, followed by 10% of legal reserve as well as the provision or reverse of the special reserve pursuant to the laws or the regulations of the competent authority; the remaining earnings, if any, adding up the accumulated undistributed earnings in the previous years, shall be proposed by the board of director for the distribution and shall be reported to the shareholders' meeting for resolution.

The Company is situated in the changeable industrial environment and the business life cycle is still in the growing stage. The Company shall take into account the future funds demand and long-term financial plan, as well as meet the demand of cash inflow for shareholders. The distribution of the earnings in the year shall not be less than 10% of the accumulated distributable earnings; however, when the accumulated distributable earnings is less than 1% of paid-in capital, it may not be distributed; in which the cash dividends shall not be less than 10% of the total dividends.

#### Chapter 8 Supplementary Provisions

Article 27 The Company's total re-investment may not be subject to 40% of the paid-in capital.

Article 28 The organizational regulations and operational regulations for the Company shall be determined by the board of directors, additionally.

Article 29 The items that are not specified in the Articles of Incorporation shall be subject to the Company



Act and the relevant laws.

Article 30 The Company's Article of Incorporation was established on May 27, 1971.

The first amendment was made on August, 8, 1972.

The second amendment was made on March 9, 1974.

The third amendment was made on November 11, 1975.

The fourth amendment was made on May 10, 1977.

The fifth amendment was made on November 25, 1978.

The Sixth amendment was made on July 16, 1979.

The seventh amendment was made on May 13, 1980.

The eighth amendment was made on November 5, 1980.

The ninth amendment was made on July 11, 1981.

The tenth amendment was made on January 23, 1982.

The eleventh amendment was made on June 15, 1982.

The twelfth amendment was made on March 14, 1983.

The thirteen amendment was made on January 25, 1984.

The fourteenth amendment was made on April 21, 1984.

The fifteenth amendment was made on September 13, 1984.

The sixteenth amendment was made on July 1, 1985.

The seventeenth amendment was made on June 26, 1987.

The eighteenth amendment was made on December 12, 1987.

The nineteen amendment was made on May 31, 1988.

The twentieth amendment was made on June 24, 1989.

The twenty-first amendment was made on April 8, 1990.

The twenty-second amendment was made on November 6, 1990.

The twenty-third amendment was made on June 15, 1991.

The twenty-fourth amendment was made on May 30, 1992.

The twenty-fifth amendment was made on May 29, 1993.

The twenty-sixth amendment was made on November 20, 1993.

The twenty-seventh amendment was made on June 11, 1994.

The twenty-eighth amendment was made on September 28, 1994.

The twenty-ninth amendment was made on June 10, 1995.

The thirtieth amendment was made on May 20, 1996.

The thirty-first amendment was made on May 22, 1997.

The thirty-second amendment was made on May 22, 1998.

The thirty-third amendment was made on June 14, 2000.

The thirty-fourth amendment was made on June 19, 2001.

The thirty-fifth amendment was made on June 19, 2002.

The thirty-sixteen amendment was made on June 27, 2003.

The thirty-seventh amendment was made on April 28, 2004.

The thirty-eighth amendment was made on June 14, 2005.

The thirty-ninth amendment was made on June 14, 2006.

The fortieth amendment was made on June 21, 2007.

The forty-first amendment was made on June 15, 2010.

The forty-second amendment was made on June 15, 2012.

The forty-third amendment was made on May 6, 2015.

The forty-fourth amendment was made on June 22, 2016.

The forty-fifth amendment was made on June 18, 2019.

Orient Semiconductor Electronics, Ltd.

Chairperson: Edward Shaw-Yau Duh

# Orient Semiconductor Electronics, Ltd.

## Rules of Procedure for Board of Directors Meetings

Approved on March 24, 2006  
December 22, 2006 Amendment Announcement  
June 21, 2007 Amendment Announcement  
May 27, 2008 Amendment Announcement  
June 15, 2010 Amendment Announcement  
June 11, 2013 Amendment Announcement  
June 29, 2018 Amendment Announcement

### Article 1 (Basis of these Rules)

In order to create a sound shareholders' governance system, normalize the supervisory function, and strengthen the management feature, the Company created these Rules to be followed in compliance with Article 2 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.

### Article 2 (Basis for the adoption of these Rules)

To establish a strong governance system and sound supervisory capabilities for the Company's board of directors and to strengthen management capabilities, these Rules are adopted pursuant to Article 2 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.

### Article 3 (Convening and notice of board meetings)

The board of directors shall meet at least quarterly. Which shall be specified in the Meeting Rules.

A notice of the reasons for convening a board meeting shall be given to each director and supervisor before 7 days before the meeting is convened. In emergency circumstances, however, a board meeting may be called on shorter notice. The notice stated in the preceding paragraph may be effective by means of electronic transmission, after obtaining a prior consent from the recipient(s) thereof.

All matters set forth under Article 12, paragraph 1 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion except in the case of an emergency or for other legitimate reason.

### Article 4 (Meeting notification and meeting materials)

The designated unit responsible for the board meetings of the Company shall be Accounting Department.

The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting.

A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.

### Article 5 (Preparation of attendance book and other documents; attendance by proxy)

When a board meeting is held, an attendance book shall be provided for signing-in by attending directors, which shall be made available for future reference.

Directors shall attend board meetings in person. A director unable to attend in person may appoint another director to attend the meeting in his or her place in accordance with the

Company's articles of incorporation. Attendance by videoconference will be deemed attendance in person.

A director who appoints another director to attend a board meeting shall in each instance issue a proxy form stating the scope of authorization with respect to the reasons for convening the meeting.

The proxy referred to in paragraph 2 may be the appointed proxy of only one person.

Article 6 (Principles for determining the place and time of a board meeting)

A board meeting shall be held at the premises and during the business hours of the Company, or at a place and time convenient for all directors to attend and suitable for holding board meetings.

Article 7 (Chair and acting chair of a board meeting)

Board meetings shall be convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.

When the chairperson of the board is on leave or for any reason unable to exercise the powers of chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson is also on leave or for any reason unable to exercise the powers of vice chairperson, the chairperson shall appoint one of the managing directors to act, or, if there are no managing directors, one of the directors shall be appointed to act as chair. If no such designation is made by the chairperson, the managing directors or directors shall select one person from among themselves to serve as chair.

Article 8 (Reference materials, non-voting participants, and holding board meetings)

When a board meeting is held, the management (or the designated unit responsible for the board meetings) shall furnish the attending directors with relevant materials for ready reference.

As merited by the content of a proposal to be put forward at a board meeting, personnel from a relevant department or a subsidiary may be notified to attend the meeting as non-voting participants. When necessary, certified public accountants, attorneys, or other professionals retained by the Company may also be invited to attend the meeting as non-voting participants and to make explanatory statements. However, they shall leave the meeting when deliberation or voting takes place.

The chair shall call the board meeting to order at the appointed meeting time and when more than one-half of all the directors are in attendance.

If one-half of all the directors are not in attendance at the appointed meeting time, the chair may announce postponement of the meeting time, provided that no more than two such postponements may be made. If the quorum is still not met after two postponements, the chair shall reconvene the meeting in accordance with the procedures in Article 3, paragraph 2.

The number of "all directors," as used in the preceding paragraph and in Article 16, paragraph 2, subparagraph 2, shall be counted as the number of directors then actually in

office.

#### Article 9 (Documentation of a board meeting by audio or video)

Proceedings of a board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 5 years. The record may be retained in electronic form.

If any litigation arises with respect to a resolution of a board meeting before the end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation.

Where a board meeting is held by videoconference, the audio or video documentation of the meeting constitutes part of the meeting minutes and shall be retained for the duration of the existence of the Company.

#### Article (Agenda items)

Agenda items for regular board meetings of the Company shall include at least the following:

- I. Matters to be reported:
  - (I) Minutes of the last meeting and action taken.
  - (II) Important financial and business matters.
  - (III) Internal audit activities.
  - (IV) Other important matters to be reported.
- II. Matters for discussion:
  - (I) Items for continued discussion from the last meeting.
  - (II) Items for discussion at this meeting.
- III. Extraordinary motions.

#### Article 11 (Discussion of proposals)

A board meeting shall follow the agenda given in the meeting notice. However, the agenda may be changed with the approval of a majority of directors in attendance at the board meeting.

The chair may not declare the meeting closed without the approval of a majority of the directors in attendance at the meeting.

At any time during the course of a board meeting, if the number of directors sitting at the meeting does not constitute a majority of the attending directors, then upon the motion by a director sitting at the meeting, the chair shall declare a suspension of the meeting, in which case Article 8, paragraph 3 shall apply mutatis mutandis.

#### Article 12 (Matters requiring discussion at a board meeting)

The matters listed below as they relate to the Company shall be raised for discussion at a board meeting:

- I. The Company's business plan.
- II. Annual and semi-annual financial reports. With the exception of semi-annual financial reports that are not required under relevant laws and regulations to be audited and attested by a certified public accountant (CPA).
- III. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and assessment of the effectiveness of the internal control system.
- IV. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange

Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.

- V. The offering, issuance, or private placement of equity-type securities.
- VI. The appointment or discharge of a financial, accounting, or internal audit officer
- VII. A donation to a related party or a major donation to a non-related party. However, a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.
- VIII. Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders' meeting or board meeting, or any material matter as may be prescribed by the competent authority.

The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.

The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation.

In the case of a foreign issuer whose shares have no par value or a par value other than NT\$10, 2.5 percent of shareholders' equity shall be substituted for the calculation of the amount equal to 5 percent of paid-in capital required under this paragraph.

At least one independent director of the Company shall attend the meeting in person. With respect to the matters which must be approved by resolutions at a board meeting as provided in the first paragraph, any and all independent directors shall attend the meeting. Where an independent director is unable to attend the meeting, that independent director shall appoint another independent director to attend the meeting as proxy. If an independent director objects to or expresses reservations about such a matter, it shall be recorded in the board meeting minutes; if an independent director intends to express an objection or reservation but is unable to attend the meeting in person, then unless there is a legitimate reason to do otherwise, that director shall issue a written opinion in advance, which shall be recorded in the board meeting minutes.

#### Article 13 (Voting-I)

When the chair at a board meeting is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.

When a proposal comes to a vote at a board meeting, if no attending director voices an objection following an inquiry by the chair, the proposal will be deemed approved. If there is an objection following an inquiry by the chair, the proposal shall be brought to a vote.

One voting method for proposals at a board meeting shall be selected by the chair from among those below, provided that when an attending director has an objection, the chair shall seek the opinion of the majority to make a decision:

- I. A show of hands or a vote by voting machine.
- II. A roll call vote.
- III. A vote by ballot.
- IV. A vote by a method selected at this Corporation's discretion.

"Attending directors," as used in the preceding two paragraphs, does not include directors that may not exercise voting rights pursuant to Article 15, paragraph 1.

Article 14 (Voting-II and methods for vote monitoring and counting)

Except where otherwise provided by the Securities and Exchange Act and the Company Act, the passage of a proposal at a board meeting shall require the approval of a majority of the directors in attendance at a board of directors meeting attended by a majority of all directors. When there is an amendment or alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. If any one among them is passed, the other proposals shall then be deemed rejected, and no further voting on them shall be required.

If a vote on a proposal requires monitoring and counting personnel, the chair shall appoint such personnel, providing that all monitoring personnel shall be directors.

Voting results shall be made known on-site immediately and recorded in writing.

Article 15 (Recusal system for directors)

If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.

Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 3 of the Company Act apply mutatis mutandis in accordance with Article 206, paragraph 3 of the same Act.

Article 16 (Meeting minutes and sign-in matters)

Discussions at a board meeting of the Company shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:

- I. The meeting session (or year) and the time and place of the meeting.
- II. The name of the chair.
- III. The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent.
- IV. The names and titles of those attending the meeting as non-voting participants.
- V. The name of the minute taker.
- VI. The matters reported at the meeting.
- VII. Agenda items: the method of resolution and the result for each proposal; a summary of the comments made by directors, supervisors, experts, or other persons; the name

of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Article 12, paragraph 5.

VIII. Extraordinary motions: The name of the mover, the method of resolution and the result, a summary of the comments of any director, supervisor, expert, or other person; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and their objections or reservations and any recorded or written statements.

IX. Other matters required to be recorded.

The occurrence of any of the following circumstances, with respect to a resolution passed at a board meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission, within 2 days from the date of the meeting:

(I) Any objection or expression of reservations by an independent director expresses of which there is a record or written statement.

(II) A resolution is adopted with the approval of two-thirds or more of all directors, without having been passed by the audit committee of the Company.

The attendance book constitutes part of the minutes for each board meeting and shall be retained for the duration of the existence of the Company.

The minutes of a board meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each director and supervisor within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of the Company.

The meeting minutes of paragraph 1 may produced and distributed in electronic form.

#### Article 17 (Supplementary Rules)

The formulation and amendments of these Meeting Rules shall be approved by the Company's board of directors and reported at the shareholders' meeting.



# Orient Semiconductor Electronics, Ltd.

## Code of Ethical Conduct

Established on December 26 .2014

### **Article 1 (Purpose of and basis for adoption )**

In recognition of the necessity to assist the companies in Taiwan in their establishment of codes of ethical conduct, these Guidelines are adopted for the purpose of encouraging directors, supervisors, and managerial officers of TWSE listed and GTSM listed companies (including general managers, deputy general managers, assistant general managers, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of the Company) to act in line with ethical standards, and to help interested parties better understand the ethical standards of the Company.

### **Article 2 (Management concept )**

The Company's establishment is based on the spirit and management concept of "Being ethical and maintaining a sustainable management". Thus, directors, supervisors, and managerial officers shall focus on team spirit and comply with these ethical guidelines when performing duties.

### **Article 3 (Prevention of conflicts of interest )**

Directors, supervisors, or managerial officers shall perform their duties in an objective and efficient manner, and may not take advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the third degree of kinship.

Loans of funds, provisions of guarantees, and major asset transactions or the purchase (or sale) of goods involving the affiliated enterprise at which the personnel mentioned above works, the director, supervisor, or/and managerial officer shall voluntarily explain whether there is any potential conflict between them and the Company.

### **Article 4 (Minimizing incentives to pursue personal gain )**

The Company shall prevent its directors, supervisors, or managerial officers from engaging in any of the following activities:

- (1) Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions.
- (2) Obtaining personal gain by using company property or information or taking advantage of their positions.
- (3) Competing with the Company. It is not subject to those whose restriction of competing has been lifted by the shareholders meeting.

### **Article 5 (Confidentiality )**

The directors, supervisors, or managerial officers of the company shall be bound

by the obligation to maintain the confidentiality of any information regarding the company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the company or the suppliers and customers.

#### **Article 6 (Fair trade)**

Directors, supervisors, or managerial officers shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.

#### **Article 7 (Safeguarding and proper use of company assets)**

All directors, supervisors, or managerial officers have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care, or waste of the assets.

#### **Article 8 (Legal Compliance)**

Directors, supervisors, or managerial officers shall strengthen its compliance with the Company Act, Securities and Exchange Act and other applicable laws, regulations, and bylaws.

#### **Article 9 (Encouraging reporting on illegal or unethical activities)**

The Company shall raise awareness of ethics internally and encourage employees to report to a company supervisor, managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct and provide sufficient information to allow the Company to appropriately handle subsequent matters. The Company will handle the report with confidentiality and make employees aware that the Company will use its best efforts to ensure the safety of informants.

#### **Article 10 (Disciplinary measures)**

When a director, supervisors, or managerial officer violates the code of ethical conduct, the company shall handle the matter in accordance with the disciplinary measures prescribed in the code, and shall without delay disclose on the Market Observation Post System (MOPS) the name of the violator, the date of the violation by the violator, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken. When being disciplined due to a violation of the code, the violator may file an appeal according to applicable measures.

#### **Article 11 (Procedures for exemption)**

The code of ethical conduct adopted by the company must require that any

exemption for directors, supervisors, and managerial officers from compliance with the code be approved by a resolution of the board of directors, and shall without delay be disclosed on the MOPS with information on the title, name and date on which the board of directors adopted the resolution for exemption, the period of, and principles behind the application of the exemption in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the code, and to safeguard the interests of the company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.

**Article 12 (Method of disclosure)**

The Company shall disclose its code of ethical conduct it has adopted, and any amendments to it, on its company website, in its annual reports and prospectuses and on the Market Observation Post System (MOPS).

**Article 13 (Enforcement)**

The Company's code of ethical conduct, and any amendments to it, shall enter into force after it has been adopted by the board of directors, delivered to each supervisor, and submitted to the shareholders meeting.

# Orient Semiconductor Electronics, Ltd.

## List of the Directors

Base Date: April 20, 2020

Position	Name	Date Elected	Shareholding While Elected			Current Shareholding			Remarks
			Type	Number of Shares	Shareholding Ratio (%) at the time	Type	Number of Shares	Shareholding Ratio (%) at the time	
Chairperson	Edward Shaw-Yau Duh	June 18, 2019	Common stock	479,680	0.09%	Common stock	479,680	0.09%	
Director	Yueh-Ming Tung	June 18, 2019	Common stock	34,739	0.01%	Common stock	34,739	0.01%	
Director	Hok-Ngang Chui	June 18, 2019	Common stock	10,711,948	1.92%	Common stock	10,711,948	1.92%	
Director	Phison Electronics Corporation Representative: Khein-Seng Pua	June 18, 2019	Common stock	7,336,369	1.33%	Common stock	7,336,369	1.33%	
Independent Director	Ching-Tien Tsai	June 18, 2019	Common stock	0	0.00%	Common stock	0	0.00%	
Independent Director	Jerry Chiu	June 18, 2019	Common stock	0	0.00%	Common stock	0	0.00%	
Independent Director	Philip H. H. Wei	June 18, 2019	Common stock	0	0.00%	Common stock	0	0.00%	
Total			Common stock	18,562,736		Common stock	18,562,736		

Total Number of Shares Issued on June 18, 2019: 552,328,533 Shares

Total Number of Shares Issued on April 20, 2020: 557,328,533 Shares

Note: the minimum shareholdings of all directors required by law: 17,834,513 shares, the shareholdings of all directors on April 20, 2020: 18,562,736 Shares

◎ The shares held by independent directors shall not be counted in the calculation of directors' shareholdings.