Stock Code: 2329

Orient Semiconductor Electronics, Ltd.

Annual Report 2020

(This English translation is prepared in accordance with the Chinese version and is for reference only. If there is any inconsistency between the Chinese version and this translation, the Chinese version shall prevail.)

The annual report is available at: http://mops.twse.com.tw/mops/web/t57sb01_q5

Company website: http://www.ose.com.tw

Printed on May 6, 2021

I. Name, contact telephone number and e-mail address of the Company's spokesperson and deputy spokesperson:

Spokesperson: Simon Hung
Title: Director of Financial Dept.
Tel: (07) 361-3131
Deputy spokesperson: Chen-Ling Lai
Title: Director of Human Resources
Tel: (07) 361-3131
E-Mail: invest@ose.com.tw

II. Address and telephone number of the head office, branch office, and factory :

The Head Office
Address: No. 9, Zhongsan Street, Nanzih District, Kaohsiung City
Tel: (07) 361-3131

Factory

Factory in the Corporate Head Office Building
Address: No. 9, Zhongsan Street, Nanzih District, Kaohsiung City
Tel: (07) 361-3131

Semiconductor Factory
Address: No. 12-2, Neihuan South Road, Nanzih District, Kaohsiung City
Tel: (07) 361-3131

Assembly Factory
Address: No. 16, Dongsan Street, Nanzih District, Kaohsiung City
Tel: (07) 361-3131

Factory in the Packing and Testing Building
Address: No. 80, Jingsan Road, Nanzih District, Kaohsiung City
Tel: (07) 361-3131

SSD Factory
Address: No. 6-2, Neihuan South Road, Nanzih District, Kaohsiung City
Tel: (07) 361-3131

III. Name, address, website and telephone number of the stock transfer agent:

Company: Stock transfer agency of CTBC Bank Co., Ltd
Address: 5F., No. 83, Sec. 1, Chongqing S. Rd., Taipei
Website: http://www.ctbcbank.com.tw
Tel: (02)6636-5566

IV. Name of the Auditor, name of the auditing firm, address, website and telephone number of the Auditor who issued the most recent annual financial report:

Name of the Auditors: Zhi-Zheng Chen, Cheng-Chu Chen
Auditing firm: Ernst and Young Global Limited
Address: 17F., No. 2, Zhongzheng 3rd Rd., Kaohsiung City
Website: http://www.ey.com/Taiwan
Tel: (07) 238-0011

V. Name of any exchanges where the Company's securities are listed overseas and the method by which to access information about the overseas securities: none

VI. Company website: http://www.ose.com.tw

Catalogue

V. Operating Overview

VI. Financial Information

VII. Review and Analysis of Financial Status and Financial Performance and Risk Matters

VIII. Special Disclosure

I. Message to Shareholders

"Sincerity and honesty at all times" is Orient Semiconductor Electronics' (OSE) entrepreneurial spirit and business philosophy. With the goal of sustainable management, the Company cultivates talents, actively expands the business and products, and continues to grow the memory market through strict quality control and process technology requirements. The Company is committed to serving customers, caring for Employees, managing business, being responsible to Shareholders, and acting as a good corporate citizen. The Company will continue to invest more in the technology industry and the future energy generation to create a better social environment.

2020 Operating Results

1. Business Plan Implementation Results

Unit: NTD thousand

Year	2020	2019	Difference	%
Operating revenue	13,851,909	17,515,145	(3,663,236)	(20.91%)
Operating margin	697,353	1,772,942	(1,075,589)	(60.67%)
Other net income (loss)	1,015	357	658	184.31%
Operating income (loss)	(186,030)	776,472	(962,502)	(123.96%)
Non-operating income and expenses	(57,178)	(39,879)	17,299	43.38%
Net income (loss) before tax	(243,208)	736,593	(979,801)	(133.02%)
Income tax benefits (expenses)	(22,915)	(148,633)	(125,718)	(84.58%)
Net income (loss)	(266,123)	587,960	(854,083)	(145.26%)

The Company's 2020 operating margin, net operating income, non-operating income and expenses, and net income are explained as follows:

(1) Operating margin,net operating income (loss):

Semiconductor Business Unit: It suffered from revenue growth, as in the first half of 2020, due to the impact of COVID-19, customers lowered their orders in response to the freezing market economy, resulting in fewer orders for memory products and logic products in packaging. Although the pandemic began to subside in the third quarter and customers expected the market momentum to pick up, NAND Flash production capacity stabilized, and market demand increased, the overall gross profit and operating profit still decreased significantly in 2020 compared to 2019.

EMS Unit: In 2020, although the production volume of high-end server products increased, the orders from consumer electronics customers decreased, and the overall gross profit and net operating income decreased in 2020 compared to 2019, due to higher material costs for high-end server products.

In summary, in 2020, due to the delayed order demand caused by the COVID-19, operating revenue decreased by 20.91%; operating cost decreased by 16.44%; gross operating profit decreased by 60.67%; and net operating profit decreased by 123.96% compared with the previous year.

(2) Non-operating income and (expenses):

The non-operating expenses increased by 43.38% compared to the same period last year, mainly due to the decrease in disposal of equipment and the net foreign currency exchange loss resulting from the depreciation of the U.S. dollar exchange rate (30.23→28.48) in 2020, resulting in an increase in other losses by 490.14% compared to last year; and the decrease in finance costs by 33.63% compared to last year as a result of the Company's efforts to improve its financial structure.

(3)The future business strategy will focus on continuing to refine the product portfolio and strive to aggressively expand revenue base, increase utilization rate, and reduce costs.

2. Financial Income/Expenses and Profitability Analysis

Analysis item \ Fiscal Year		Financial analysis for the most recent two years: 2020	2019
Financial structure	Debt-asset ratio%	47.51	61.89
	Ratio of long-term capital to fixed assets%	155.57	110.30
Profitability	Return on assets%	(1.35)	4.16
	Return on equity %	(3.89)	10.16
	Profit margin before tax%	(1.92)	3.36
	Earnings per share(NTD)	(0.48)	1.06

3. R&D Status

The R&D expenditure of 2020 was NT$267,325 thousand.

Semiconductor Business Unit: Aside from the continuous introduction of process verification and mass production of various 3D NAND flashes, the Company also has response measures for the demand of the future high-speed memory (PCIE and DDR5). The Company has completed the process development and establishment of production lines for laminate packaging, and will continue to validate and develop related products and will lead to the development of high-end laminate products and sector packaging. 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 Unit: 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 2020, the Company cooperated with the government policies and was part of Team Taiwan, and smoothly completed the satellite launch. The Company's extended services is not only available in Taiwan, but also other countries. The subsequent projects have gradually obtained licenses and certifications. The Company hopes that in the future, it will provide high-end technology to customer groups in the niche market.

Summary of the Business Plan for the Fiscal Year of 2021

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 5G application, packaging of IoT, AI-related products and automotive electronics-related products, the Company 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 2021, 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), the Company will also expand the development of IoT and automotive electronics-related markets to boost OSE's business.

Consequently, the Semiconductor Business Unit will be devoted to the following operating direction to boost the revenue:

I. Reduce the material costs constantly.
II. Continue the development of advanced packaging processes and refinement of process capabilities to meet future customer product requirements.
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.
VI. Develop high end SiP manufacturing process and market.

Both SSD and products with quality requirement higher than IPC-610 class 3 in EMS Group has started the mass production. The main business plans for 2021 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. In addition to the production of existing products, with the introduction of INTEL's new generation, Ice Lake, in 2021, in response to customer demand for new products, will enter mass production. .
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. In-vehicles has obtained IATF 16949 certification, and after trial production, the product will enter mass production from 2021 onwards.

Company's Future Development Strategy

Semiconductor Unit has put a lot of effort into 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, the Company will also use relevant process technology, as well as a strategic partnership with CHIPBOND TECHNOLOGY CORPORATION to expand the product markets of the development of 5G, IoT and AI.

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, the Company has to provide the customers with professional knowledge regarding supply chain and essential resources to make them have more competitiveness in the market.

The Effect of External Competition, the Legal Environment, and the Overall Business Environment

According to a recent study by IEK, the overall revenue performance in the first half of 2020 of the year was dragged down by factors such as the trade conflict between the U.S. and China and the COVID-19, but from the second half of the year onwards in addition to the traditional peak season, and the demand from the stay-at-home economy generated by the pandemic, the overall packaging and testing industry in Taiwan has experienced explosive growth. The research of IEK also suggested that the global semiconductor output value of products in relation to 5G, automotive electronics, AI and the IoT continue to thrive in 2021, and with the impact of the newly elected General Manager of the U.S. and the coronavirus (COVID-19), IEK estimates that the global semiconductor output value in 2021 will reach USD452.3 billion, up by approximately 6.2%.

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 the first half of 2020, the Company's operations were affected by the disruption of the COVID-19, delayed demand in the memory market, and reduced efficiency of EMS switching orders, resulting in a weak performance in the first half of the year. Since the second half of the year, the market has been experiencing tight supply of packaging capacity, mainly due to the COVID-19 triggered stay-at-home economy, and maintained a strong demand for NB and game consoles. Secondly, after the U.S.-China trade war, the regional economic situation has taken shape, and the mainland system makers have gradually shifted some of their semiconductor chips to Taiwan for orders, and with the rebound in market demand, the third quarter has turned a loss into a profit. In the future, the Company will provide new services to existing customers due to better order visibility, price increase driven by market demand, and the strategic partnership with the strategic partner shall provide new services to existing customers, which is expected to show benefits in the second half of the year, and will drive the momentum of the packaging and testing business, and help the operation to resume growth. In this regard, the Company continues to invest in CSP BGA market development, improve production efficiency, and expand the market for Internet of Things and automotive electronics-related applications. By continuing to refine its product portfolio, the Company aims to aggressively expand its revenue base, increase its crop rate, and strive to reduce costs, to achieve the goal of business stability.

Finally, we would like to wish all Shareholders
Good health, and all the best

Orient Semiconductor Electronics, Ltd.

Chairman: Yueh-Ming, Tung

II. Company Profile

I. Incorporation date of Company: June 12, 1971

II. Company history

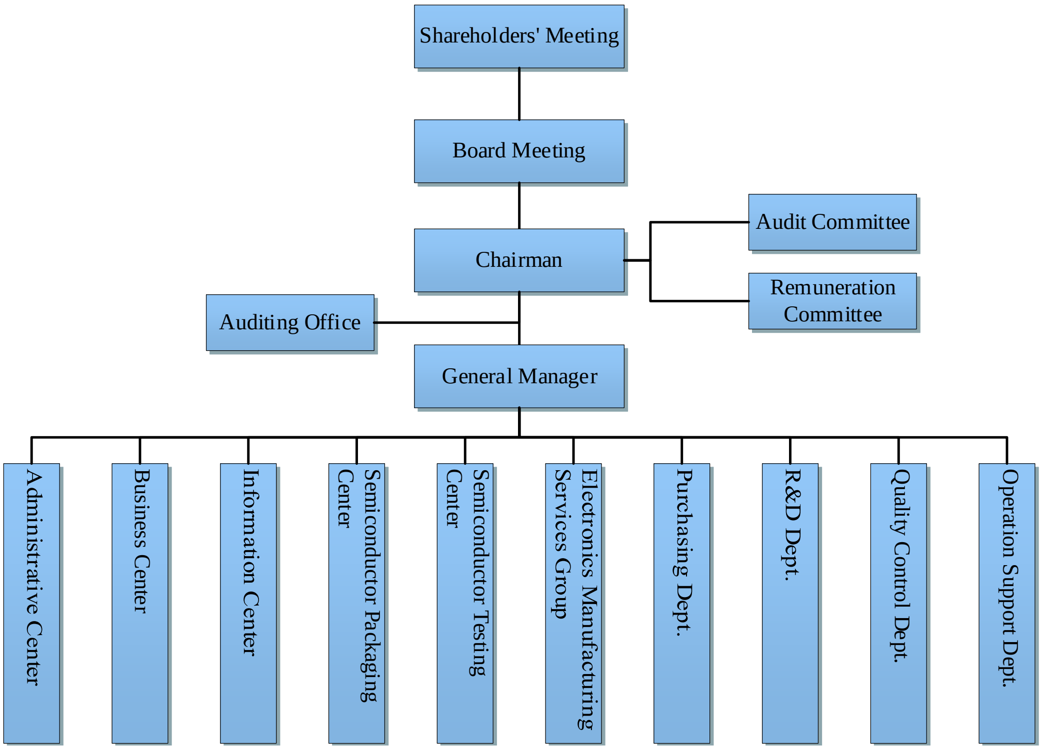
1971	June:	OSE was officially established, with the paid-in capital of NT$11,000,000.
1990	March:	the Assembly Business Unit was completed and started mass production.
1994	April:	OSE issued the common stock and was listed on the Taiwan Stock Exchange on April 20 under Category 1.
1999	April:	the Enterprise Resource Planning (ERP: SAP/R3) and MES (Manufacturing Execution System) were implemented
	June:	New Corporate Identity System was officially launched.
2000	June:	the corporate headquarter building was commenced
2002	July:	the General Manager, Mr. Chien Liang Li handed in his resignation, and Mr. Edward Shaw-Yau Duh was appointed as the new General Manager.
2003	February:	the Chairperson of the Board, Ms. Mei-Tso Yang, resigned, and Mr. Chun-Yuan Du became the successor.
2005	December:	OSE passed ISO14001:2004 transition verification of Environment Management System.
2007	December:	the Semiconductor Business Unit passed TS16949 certification.
2008	December:	the packing and testing building was commenced.
2010	September:	OSE passed verification of OHSAS 18001 and TOSHMS Taiwan Occupational Safety & Health Management System.
	December:	OSE passed the “Healthy Workplace Accreditation” by Heath Promotion Administration, Ministry of Health and Welfare.
2011	July:	OSE passed the audit of Taiwan TrainQuali System (TTQS), and was awarded the silver medal and nominated for the National TrainQuali Prize.
2013	September:	OSE passed CNS15506:2011 transition verification of Taiwan Occupational Safety and Health Management System.
	September:	the Assembly Business Unit passed ISO13485 quality assurance certification.
2015	April:	the Assembly Business Unit established the factory dedicated for SSD, and set up the production line specialized for automatic testing and automatic assembly.
2016	June:	42,762,428 shares of common stock was transferred from the preferred shares, and was listed on the stock exchange.
	August:	the General Manager, Mr. Chun-Yuan Du, handed in his resignation, and Mr. Yueh-Ming Tung was the successor.
	November:	the Company called an Extraordinary Shareholders’ Meeting to hold the by-election, and Mr. Edward Shaw-Yau Duh and Mr. Yueh-Ming Tung were elected as new Directors, with Mr. Edward Shaw-Yau Duh elected as the new Chairman of the Board.
2017	September:	OSE passed ISO14001: 2015 transition verification of Environment Management System.
2018	October:	the Assembly Business Unit established production line specialized for computer peripherals assembly, which was approved by DELL and HP, and started mass production
	October:	a capital reduction of NT$2,536,872 thousand was implemented to cover the loss, and the paid-in capital was NT$5,523,285 thousand after the capital reduction.
2019	January:	the Assembly Business Unit was renamed as Electronics Manufacturing Services (EMS) Unit.
	June:	Mr. Edward Shaw-Yau Duh was elected as the chairman of the Board at the General Shareholders’ Meeting.
	June:	the first Audit Committee was established.
	June:	the SSD factory in the EMS Unit has passed the RBA Validated Assessment Program and obtained the certification.
	October:	OSE passed the audit of Taiwan TrainQuali System (TTQS), and was awarded the silver medal.
	November:	EMS Center was evaluated by Aerospace Industrial Development Corporation as a qualified supplier for S300 quality management.
	December:	the Company issued $50,000 thousand new shares with restricted Employee rights, and

		increased the paid-in capital to NT$5,573,285 thousand.
2020	June:	OSE joined Taiwan Space Industry Development Association as the first member.
	October:	the Chairman, Mr. Edward Shaw-Yau Duh, resigned, and was replaced by Mr. Yueh-Ming Tung who also served as the General Manager.
	October:	OSE signed an agreement on a strategic partnership with CHIPBOND TECHNOLOGY CORPORATION.
	December:	CHIPBOND TECHNOLOGY CORPORATION conducted a share transfer (exchange) with the Shareholders to become a majority shareholder holding more than 10% of the shares.
2021	January:	in 2020, the Company issued 270,270 shares of preferred shares in a private placement, and the current paid-in capital is NT$8,273,125 thousand after the capital increment.
	March:	OSE USA, Inc., a U.S. subsidiary, ceased operations.
	April:	Mr. Jia Rong Tu was appointed to succeed Mr. Yueh-Ming Tung as the General Manager of the Company, in order to implement corporate governance and strengthen the management function.

III. Corporate Governance Report

I. Organization

(I) Organizational structure



(II) The responsibilities of all the major departments

Departments	Main Business
Auditing Office	Management and internal auditing of the Company's various internal operational processes.
Administrative Center	Management of human resource, finance, importing/exporting, legal, accounting, and industrial safety facilities.
Business Center	Responsible for product sales, business development, production planning and material management.
Information Center	In charge of the Company's computer software and hardware, internet maintenance, etc.
Semiconductor Packaging Center	Responsible for semiconductor packaging related business.
Semiconductor Testing Center	Responsible for semiconductor testing related business.
Electronics Manufacturing Services Group	In charge of electronics manufacturing services, etc.
Purchasing Dept.	Responsible for material procurement, control and planning.
R&D Dept.	Product manufacturing process development, new manufacturing process and new product development.
Quality Control Dept.	Quality control of incoming and outgoing shipments, and quality system promotion.
Operation Support Dept.	Factory layout and rationalization planning, and production efficiency improvement.

II. Profile of Directors, Supervisors, General Managers, Vice General Managers, Assistant Managers, Department Heads and Branch Heads

(I) Information on Board of Directors

March 30, 2021

Title	Nationality or place of incorporation	Name	Gender	Date of election/assumption of office	Term	The commencement date of the first term	Shareholdings in commencement date of the term		Current shareholdings		Current shareholdings of spouse and minor children		Major academic (career) background	Other concurrent position in the Company or other companies	Note
							Share	Shareholding percentage	Share	Shareholding percentage	Share	Shareholding percentage			
Chairman	The Republic of China	Yueh-Ming Tung (Note 1)	Male	June 18, 2019	3	November 8, 2016	34,739	0.01%	534,739	0.10%	57	0.00%	National Sun Yat-sen University Master Degree of EMBA President, Orient Semiconductor Electronics, Ltd.	Chairman & President, Orient Semiconductor Electronics, Ltd. Chairman, OSE PHILIPPINES, INC. Chairman, OSE PROPERTIES, INC. Chairman, OSE INTERNATIONAL LTD. Representative Director, OSE USA INC. Representative Director, COREPLUS (HK) LTD. Representative Director, VALUE-PLUS TECHNOLOGY (SUZHOU) CO., LTD.	
Director	The Republic of China	Daphane Wu (Note 2)	Female	2020.12.03	3	2020.12.03	0	0.00%	0	0.00%	0	0.00%	Department of Accounting of National Chengchi University	CFO of the Asian Region, Far East Kingston Technology Co., Ltd. Representative Supervisor, Kingston Technology Company, Inc Supervisor, PANRAM INTERNATIONAL CORP. Representative Director, Powertech Technology Inc.	
Director	The Republic of China	PHISON ELECTRONICS CORPORATION	—	June 18, 2019	3	May 6, 2015	7,336,369	1.33%	7,336,369	1.32%	0	0.00%	None	None	
Director	Malaysia	Representative: Wee-Kuan Gan (Note 3)	Male	June 18, 2019	3	May 6, 2015	724	0.00%	724	0.00%	0	0.00%	B.S. of Department of Electrical and Computer Engineering, NCTU	VP, PHISON ELECTRONICS CORPORATION Representative Director, OSTEK CORPORATION Representative Director, SUPER STORAGE TECHNOLOGY CORPORATION Representative Supervisor, PHISONTECH ELECTRONICS TAIWAN CORP.	
Independent Director	The Republic of China	Ching-Tien Tsai	Male	June 18, 2019	3	June 22, 2016	0	0.00%	0	0.00%	0	0.00%	Bachelor, Accounting, National Cheng Kung University Certified Public Accountant of Ernst & Young Executive Director & Managing Supervisor of CPA Associations R.O.C.-Kaohsiung.	Certified Public Accountant of WENPING Accounting Office. Independent Director, O-TA Precision Industry Co., Ltd.	
Independent Director	The Republic of China	Jeng-Ren Chiou	Male	June 18, 2019	3	June 22, 2016	0	0.00%	0	0.00%	0	0.00%	Ph. D., Finance, The City University of New York Professor of Department of Accountancy, National Cheng Kung University	Independent Director, JUNG SHING WIRE CO. LTD. Independent Director, STRONGLED LIGHTING SYSTEMS (CAYMAN) CO., LTD. Independent Director, WAH HONG INDUSTRIAL CORP.	

Notes:
1. Directors using others' names to hold shares in the Company: none.
2. Directors have a spouse or a relative of the second degree of consanguinity as an officer or Director of the Company: none.

(Note 1): On October 16, 2020, the Chairman, Mr. Edward Shaw-Yau Duh, resigned, and Mr. Yueh-Ming Tung was appointed as Chairman and General Manager of the Company; on April 15, 2021, in order to implement corporate governance and strengthen management functions, Mr. Chia-Jung Tu was appointed to succeed Mr. Yueh-Ming Tung as General Manager of the Company.

(Note 2): Director Li Ching Wu was elected on December 03, 2020, and her term of office will expire on June 17, 2022.

(Note 3): On October 29, 2020, PHISON ELECTRONICS CORPORATION has re-appointed Wee-Kuan Gan as the representative.

(Note 4): As of December 30, 2020, more than half of shares held by Director Hok-Ngang Chui was transferred compared to the time of his election, hence he was certainly discharged.

(Note 5): Director Philip Wei resigned on December 09, 2020.

(Note 6): For Directors and Supervisors acting as the representatives of legal person Shareholders, specify the names of the legal person Shareholders as the following table 1:

Table 1: Major Shareholders of the legal person Shareholders

Name of legal person Shareholders	Major Shareholders of the legal person Shareholders
PHISON ELECTRONICS CORPORATION	First Bank in custody for investment account of Kioxia Corporation (10.06%), Aberdeen Asset Management PLC acting as the investment account of HSBC Bank Limited Employees' Pension's (2.98%), Fubon Life Insurance Co., Ltd. (2.75%), Chien-Cheng Pan(2.31%), Chun-Yung Yang(2.31%), Chih Kuang-Ou Yang (1.76%), Yuanta Taiwan High Dividend Equities Fund investment account (1.45%), CITI Bank in scustody for investment account of NOREGS BANK (1.40%), Cheng-he Investment Co., Ltd. (1.20%), Han-Wei Wu (1.18%)

(Note 1): When a Director or Supervisor is the representative of an legal person shareholder, specify the name of such legal person shareholder.

(Note2): Specify the name and the percentage of the shareholding of the major Shareholders of the legal person Shareholders (their percentage of the shareholding is among top 10). When the major Shareholders of an legal person shareholder are legal person investors, continue with Table 2 below.

Table 2: Major Shareholders of legal person investors in Table 1

Name of legal person investor	Major Shareholders of legal person shareholder
Kioxia Corporation	Kioxia Holdings Corporation (100%)

Professional qualifications and independence status of Directors and Supervisors

Criteria / Name	Meet one of the following professional qualification requirements and at least five years' work experience			Independence status												Number of other public companies in which the individual is concurrently serving as an Independent Director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university.	A judge, public prosecutor, attorney, CPA, or other professional or technical specialist necessary for the business of the Company who has passed the national examination and been awarded the certificate	Have work experience in the fields of commerce, law, finance, or accounting, or other work experience necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Yueh-Ming Tung			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Daphane Wu			✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	0
PHISON ELECTRONICS CORPORATION Representative: Wee-Kuan Gan			✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	0
Ching-Tien Tsai		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Jeng-Ren Chiou	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3

Note: Please check "✓" in the corresponding boxes if the qualification applies to the Directors or Supervisors during the two years prior to being elected or during the term of office.

(1) Not an Employee of the Company or any of its affiliates.

(2) Not a Director or Supervisor of the Company's affiliates. (Except for Independent Director s of the Company or its parent company or a subsidiary established in accordance with this Act or the local laws.).

(3) Holding more than 1% of the total outstanding shares issued by the Company, or among the top 10 natural person Shareholders by the person or his or her spouse or minor children, or in the name of a third party.

(4) Not a spouse, or relative within the second degree of kinship, or lineal relative within the third degree of kinship, of an executive officer falling under (1), (2) or (3) above.

(5) A Director, Supervisor or Employee of a corporate shareholder who does not directly hold more than 5% of the total number of issued shares of the Company, or who is one of the top five holders of shares, or who has designated a representative as a Director or Supervisor of the Company pursuant to Article 27, Paragraph 1 or 2 of the Company Act (except in the case where the Independent Director s of the Company and its parent company, subsidiary or subsidiary of the same parent company established under this Act or the laws of the local country are concurrently appointed by each other). (except in the case where the Company and its parent company, subsidiary, or subsidiary of the same parent company serve concurrently as Independent Director s under this Act or the laws of the local country).

(6) A Director, Supervisor or Employee of another company who is not controlled by the same person as more than half of the Directorships or voting shares of the Company (except in the case where Independent Director s of the Company or its parent company, subsidiary or subsidiary of the same parent company established under this Act or the laws of the local country are concurrently appointed to each other).

(7) A Director, Supervisor or Employee of another company who is not controlled by the same person as more than half of the Directorships or voting shares of the company (except in the case where Independent Director s of the company or its parent company, subsidiary or subsidiary of the same parent company established under this Act or the laws of the local country are concurrently appointed to each other).

(8) Directors (Directors), Supervisors (Supervisors), managers or Shareholders holding more than 5% of the shares of a specific company or organization that does not have financial or business dealings with the Company (except for a specific company or organization that holds more than 20% but not more than 50% of the total issued shares of the Company and is an Independent Director of the Company and its parent company, subsidiary or subsidiary of the same parent company established under this Act or the laws of the local country that are concurrently appointed by each other).

(9) A professional individual who, or an owner, partner, Director, Supervisor, or a spouse thereof, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years has received cumulative compensation exceeding NT$500,000. This restriction does not apply, however, to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act, the Business Mergers and Acquisitions Act, or related laws or regulations.

(10) Not having a marital relationship, or not a relative within the second degree of kinship to any other Director of the Company.

(11) Not having any of the situations as defined in Article 30 of the Company Act.

(12) Not a governmental, legal person investor or its representative as defined in Article 27 of the Company Act.

(II) Profile of General Managers, Vice General Managers, Assistant Managers, Department Heads and Branches Heads

April 30, 2021

Title	Nationality	Name	Gender	Date of election/assumption of office	Shareholding		Current shareholdings of spouse and minor children		Major academic (career) background	Other concurrent position in the Company or other companies	Remarks
					Share	Shareholding percentage	Share	Shareholding percentage			
General Manager	The Republic of China	Chia-Jung Tu	Male	April 15, 2021	88,000	0.02%	0	0.00%	Department of Mechanics, National Cheng Kung University Special Assistant to the General Manager of Orient Semiconductor Electronics, Ltd. Vice General Manager of Manufacturing Center in CHIPBOND TECHNOLOGY CORPORATION Assistant Manager of Info-Tek Corporation Engineer in Zhubei Plant of Philips Taiwan	None	
Senior Vice General Manager	The Republic of China	Tzu Ming Liu	Male	February 28, 2003	86,304	0.02%	11,720	0.00%	Department of Electronic Engineering, National Chin-Yi University of Technology	Representative of legal person Director, COREPLUS (HK) LTD. Representative of legal person Director, VALUEPLUS TECHNOLOGY (SUZHOU) CO., LTD.	
Vice General Manager	The Republic of China	Liang-Chung Wu	Male	July 20, 2015	130,381	0.02%	0	0.00%	Institute of Electronics of National Chiao Tung University General Manager of Kai Yu Technology, Engineering Inc. (renamed from TAIWAN MEMORY TECHNOLOGY INC.) Section Director of Hualong Microelectronics	None	
Vice General Manager	The Republic of China	Kuan-Tien Shen	Male	November 19, 2018	30,096	0.01%	0	0.00%	Master Degree of Business Administration of I-SHOU University Vice General Manager of SMIKE International General Manager and COO of Taiwan IC Packaging Corporation Vice General Manager of SIGURD MICROELECTRONICS CO.	None	
Chief Information Officer	The Republic of China	Chin-Chiu Wang	Male	September 4, 2019	30,004	0.01%	152	0.00%	MBA of National Sun Yat-sen University IBM System Engineer/Business Specialist Manager of the Information Management Unit in Orient Semiconductor Electronics, Ltd. General Manager of Infofab, Inc.	None	
Assistant Manager	The Republic of China	Tse-Wen Li	Male	May 1, 2008	15,000	0.00%	0	0.00%	Department of Materials Science and Engineering of National Cheng Kung University	None	

Title	Nationality	Name	Gender	Date of election/assumption of office	Shareholding		Current shareholdings of spouse and minor children		Major academic (career) background	Other concurrent position in the Company or other companies	Remarks
					Share	Shareholding percentage	Share	Shareholding percentage			
Assistant Manager	The Republic of China	Wen-Pin Yang	Male	September 7, 2016	24,594	0.00%	99	0.00%	Department of Electronics and Instrumentation, Kun Shan University Department of Plant Industry of National Pingtung University of Science and technology	None	
Assistant Manager	The Republic of China	Che-Kuang Liu	Male	September 7, 2016	34,278	0.01%	10,302	0.00%	Department of Industrial and Systems Engineering of Chung Yuan University	None	
Assistant Manager	The Republic of China	Min-Lang Tsai	Male	July 19, 2017	30,852	0.01%	0	0.00%	Master of Industrial Engineering, National Kaohsiung University of Applied Sciences Assistant Manager of Dept. of RD and Manufacturing Process Engineering of Taiwan IC Packaging Corporation Senior Manager of Dept. of Flash packaging/testing R&D of ADATA Technology Co., Ltd.	None	
Assistant Manager	The Republic of China	Chen-Chung Sun	Male	August 10, 2017	24,636	0.00%	0	0.00%	Department of Business Administration of Tunghai University	None	
Assistant Manager	The Republic of China	Tseng-Chih Chi	Male	August 20, 2018	27,426	0.00%	0	0.00%	Master Degree of Institute of Applied Mechanics of National Taiwan University Director of ADATA Technology Co., Ltd.	None	
Assistant Manager	The Republic of China	Hung-Tai Mai	Male	May 1, 2019	24,029	0.00%	35,302	0.01%	Department of Industrial Management, Shu-Te University	None	
Assistant Manager	The Republic of China	Jia Ming Yang	Male	August 3, 2020	24,494	0.00%	0	0.00%	Master of Engineering Science, National Cheng Kung University	None	
Head of Human Resource	The Republic of China	Chen-Ling Lai	Female	March 6, 2018	126,788	0.02%	0	0.00%	Master of Human Resource, National Kaohsiung University of Applied Sciences	Representative of legal person Director, OSE PHILIPPINES, INC.	
Chief Financial Officer	The Republic of China	Simon Hung	Male	October 16, 2020	10,000	0.00%	8,000	0.00%	MBA, National Taiwan University	Representative of legal person Diretor/CFO of OSE PHILIPPINES, Inc. CFO of OSE PROPERTIES, INC. Chairman of COREPLUS (HK) Ltd. Chairman of VALUEPLUS TECHNOLOGY (SUZHOU) CO., LTD. Representative of legal person Supervisor of InfoFab, Inc.	
Head of Accounting	The Republic of China	Shu-Yung Chu	Female	December 1, 2018	26,758	0.00%	0	0.00%	Master of the Institute of Finance, National Sun Yat-sen University	Representative of legal person Director, OSE PHILIPPINES, INC.	

Title	Nationality	Name	Gender	Date of election/assumption of office	Shareholding		Current shareholdings of spouse and minor children		Major academic (career) background	Other concurrent position in the Company or other companies	Remarks
					Share	Shareholding percentage	Share	Shareholding percentage			
Notes: 1. Directors using others' names to hold shares in the Company: none. 2. Directors have a spouse or a relative of the second degree of consanguinity as an officer or Director of the Company: none.											

Note 1: If the Chairman and the General Manager or equivalent (top manager) are the same person, spouses or relatives of one another, the reasons, rationality, necessity and measures shall be explained: Mr. Edward Shaw-Yau Duh, Chairman of the Board, resigned on October 16, 2020, and Mr. Yueh-Ming Tung was appointed as Chairman of the Board and General Manager; Mr. Chia-Jung Tu was appointed on April 15, 2021 to succeed Mr. Yueh-Ming Tung as the General Manager of the Company in order to implement corporate governance and strengthen management functions.

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III. Remuneration for Directors, Supervisors, General Manager and Vice General Manager in the most recent fiscal year

(I) Remuneration of general Directors and Independent Director s

December 31, 2020 Unit: thousand NTD

Title	Name	Directors remuneration								Ratio of A+B+C+D to net income after tax		Relevant remuneration received by Directors who are also Employees								Ratio of all seven of A+B+C+D+E+F+G to net income after tax		Remuneration paid to Directors from an invested company other than the Company's subsidiary
		Remuneration(A)		Severance pay and pensions(B)		Directors' remuneration (C) (Note 1)		Expenses to business execution (D) (Note 2)				Salary, bonuses, and allowances (E) (Note 3)		Severance pay and pensions(F)		Employees' remuneration (G) (Note 4)						
																The Company		Companies in the consolidated financial statements				
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	Cash Amount	Amount of Stock	Amount of Cash	Amount of Stock	The Company	Companies in the consolidated financial statements	
Chairman	Yueh-Ming Tung	360	360	0	0	0	0	0	0	-1.54%	-1.54%	5,400	5,400	92	92	0	0	0	0	-4.24%	-4.24%	0
Director	Edward Shaw-Yau Duh (Note 5)	300	300	0	0	0	0	0	0			1,707	1,707	0	0	0	0	0	0			0
Director	Hok-Ngang Chui (Note 6)	360	360	0	0	0	0	0	0			0	0	0	0	0	0	0	0			0
Director	Daphane Wu (Note 7)	30	30	0	0	0	0	0	0			0	0	0	0	0	0	0	0			0
Director	Phison Electronics Corporation	360	360	0	0	0	0	0	0			0	0	0	0	0	0	0	0			0
Independent Director	Philip Wei (Note 8)	865	865	0	0	0	0	7	7			0	0	0	0	0	0	0	0			0
Independent Director	Ching-Tien Tsai	900	900	0	0	0	0	8	8			0	0	0	0	0	0	0	0			0
Independent Director	Jeng-Ren Chiou	900	900	0	0	0	0	4	4			0	0	0	0	0	0	0	0			0

1. Please describe the policy, system, criteria and structure for the remuneration of Independent Director s, and the relevance of the amount of remuneration to the responsibilities, risks and time commitment of the Directors: The remuneration of all Directors (including Independent Directors) of the Company is based on their participation in the Company's operations and the value of their contributions, and is determined by reference to industry standards.
2. Except as disclosed in the table above, remuneration received by the Directors of the Company for services rendered to all companies included in the financial statements (e.g., as independent consultants) in the most recent year: None.

Note 1: The amount of Directors' remuneration approved by the Board of Directors in the most recent year is included.
Note 2: This refers to the latest year's Directors' related business execution expenses (including travel allowances, special expenses, various allowances, dormitory, cars and other in-kind provisions, etc.).
Note 3: This refers to the salary, salary increment, severance pay, various bonuses, incentive payments, travel allowances, special expenses, various allowances, dormitory, car and other in-kind provisions, etc., received by the Directors and Employees (including concurrent General Manager, Vice General Manager, other managers and Employees) in the most recent year. Salary expense recognized in accordance with IFRS 2, "Share-based Payment," including the acquisition of Employee stock options, new shares with restricted Employee rights and participation in cash capital increase to subscribe for shares, shall also be included in remuneration.
Note 4: The amount of Employee compensation (including stock and cash) received by a Director who is also an Employee (including also General Manager, Vice General Manager, other managers and Employees) in the most recent year shall be disclosed if the amount of Employee compensation was approved by the Board of Directors in the most recent year.
Note 5: Mr. Edward Shaw-Yau Duh resigned on October 16, 2020, and the Board Meeting has nominated Mr. Yueh-Ming Tung as the new Chairman.
Note 6: On December 30, 2020, the number of shares transferred exceeded half of the shares held at the time of election, and was certainly discharged.
Note 7: On December 03, 2020, the Shareholders held a by-election to elect a Director, and a new Director was appointed on December 03, 2020.
Note 8: Resigned on December 9, 2020.

Table of remuneration range

Remunerations to individual Directors in respective brackets along the remuneration scale	Name of Directors			
	Total remuneration (A+B+C+D)		Total remuneration (A+B+C+D+E+F+G) of the previous seven items	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Under NT$ 1,000,000	Yueh-Ming Tung, Edward Shaw-Yau Duh, Daphane Wu, Hok-Ngang Chui Philip Wei, Ching-Tien Tsai, Jeng-Ren Chiou Phison Electronics Corporation	Yueh-Ming Tung, Edward Shaw-Yau Duh, Daphane Wu, Hok-Ngang Chui Philip Wei, Ching-Tien Tsai, Jeng-Ren Chiou Phison Electronics Corporation	Daphane Wu, Hok-Ngang Chui, Philip Wei, Ching-Tien Tsai , Jeng-Ren Chiou, Phison Electronics Corporation	Daphane Wu, Hok-Ngang Chui, Philip Wei, Ching-Tien Tsai , Jeng-Ren Chiou, Phison Electronics Corporation
NT$1,000,000 (including) ～ NT$2,000,000 (including)	None	None	None	None
NT$2,000,000 (including) ～ NT$3,500,000 (including)	None	None	Edward Shaw-Yau Duh	Edward Shaw-Yau Duh
NT$3,500,000 (including) ～ NT$5,000,000 (including)	None	None	None	None
NT$5,000,000 (included) - NT$10,000,000 (excluded)	None	None	Yueh-Ming Tung	Yueh-Ming Tung
NT$10,000,000 (included) - NT$15,000,000 (excluded)	None	None	None	None
NT$15,000,000 (included) - NT$30,000,000 (excluded)	None	None	None	None
NT$30,000,000 (included) - NT$50,000,000 (excluded)	None	None	None	None
NT$50,000,000 (included) - NT$100,000,000 (excluded)	None	None	None	None
Over NT$100,000,000	None	None	None	None
Total	8	8	8	8

(II) Supervisors' remuneration: The Company elected Independent Director s at the Shareholders' meeting on June 18, 2019, and established an Audit Committee to replace the Supervisors; therefore, there is no Supervisors' remuneration.

(III) Remuneration of General Manager and Vice General Manager

December 31, 2020 unit: thousand NTD

Title	Name	Remuneration (A) (Note 1)		Severance pay and pensions(B)		Bonus and allowances(C) (Note 2)		Employees' remuneration (D) (Note 3)				Ratio of total remuneration A + B + C + D to net income after tax (%)		Remuneration paid to Directors from an invested company other than the Company's subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Amount of Cash	Amount of Stock	Amount of Cash	Amount of Stock			
General Manager	Yueh-Ming Tung	26,160	26,160	691	691	3,190	3,190	0	0	0	0	-11.29%	-11.29%	None
Senior Vice General Manager	Tzu Ming Liu													
Vice General Manager	Liang-Chung Wu													
Vice General Manager	Kuan-Tien Shen													
Chief Information Officer	Chin-Chiu Wang													
CFO	Chun-Kuan Lee(Note 4)													
Vice General Manager	Chun-Chieh Wang (Note 5)													
Vice General Manager	Shih-Chuan Chen (Note 6)													
1. On November 25, 2019, the Company issued new shares with restricted Employee rights, and it was recognized as payroll expense in accordance with IFRS 2, "Share-based Payment". The payroll expense recognized from January 1 to December 31, 2020: NT$3,052 thousand.														

Note 1: This represents the latest annual salary, duty increment and severance pay of the General Manager and Vice General Manager.

Note 2: This represents the latest bonuses, incentive payments, travel allowances, special expenses, allowances, dormitories, cars and other in-kind payments to the General Manager and Vice General Manager for the most recent year. Salary expense recognized in accordance with IFRS 2, "Share-based Payment," including the acquisition of Employee stock options, new shares with restricted Employee rights and participation in cash capital increase to subscribe for shares, shall also be included in remuneration.

Note 3: The amount of Employee compensation (including stock and cash) for the General Manager and Vice General Manager was approved by the Board of Directors in the most recent year.

Note 4: The CFO, Chun-Kuan Lee, retired on October 16, 2020.

Note 5: The Vice General Manager, Chun-Chieh Wang, resigned on April 1, 2020.

Note 6: The Vice General Manager, Shih-Chuan Chen, resigned on July 1, 2020.

Table of remuneration range

Range of remunerations payableto the General Manager and Vice General Managers	Name of General Managers and Vice General Managers	
	The Company	Companies in the consolidated financial statements
Under NT$ 1,000,000	0	0
NT$1,000,000 (inclusive) - NT$2,000,000 (exclusive)	Shih-Chuan Chen	Shih-Chuan Chen
NT$2,000,000 (inclusive) - NT$3,500,000 (exclusive)	Chun-Chieh Wang, Chun-Kuan Lee	Chun-Chieh Wang, Chun-Kuan Lee
NT$3,500,000 (inclusive) - NT$5,000,000 (exclusive)	Kuan-Tien Shen, Liang-Chung Wu, Chin-Chiu Wang	Kuan-Tien Shen, Liang-Chung Wu, Chin-Chiu Wang
NT$5,000,000 (included) - NT$10,000,000 (excluded)	Yueh-Ming Tung, Tzu-Ming Liu	Yueh-Ming Tung, Tzu-Ming Liu
NT$10,000,000 (included) - NT$15,000,000 (excluded)	0	0
NT$15,000,000 (included) - NT$30,000,000 (excluded)	0	0
NT$30,000,000 (included) - NT$50,000,000 (excluded)	0	0
NT$50,000,000 (included) - NT$100,000,000 (excluded)	0	0
Over NT$100,000,000	0	0
Total	8	8

(IV) The situation of the Manager responsible for distributing Employees' remuneration, and the status of distribution: there was no distribution of Employees' remuneration in 2020.

(V) Describe the ratio of remuneration for Directors, Supervisors, General Managers and Vice General Managers paid by the Company and all the companies in the consolidated financial statement in the most recent two fiscal years to net income after tax of financial statements and illustration of remuneration policy, standard and combination, remuneration resolution process, the relevance between operation performance and future risks.

1. Analysis of total remuneration for Directors, Supervisors, General Managers and Vice General Managers paid by the Company in the most recent two fiscal years to net income(loss) after tax:

Fiscal Year	2019		2020	
Title	The ratio of total remuneration for Directors, Supervisors, General Managers and Vice General Managers paid by the Company to net income(loss) after tax	The ratio of total remuneration for Directors, Supervisors, General Managers and Vice General Managers paid by all the companies in the consolidated financial statement to net income(loss) after tax of individual financial statements	The ratio of total remuneration for Directors, Supervisors, General Managers and Vice General Managers paid by the Company to net income(loss) after tax	The ratio of total remuneration for Directors, Supervisors, General Managers and Vice General Managers paid by all the companies in the consolidated financial statement to net income(loss) after tax of individual financial statements
Director (Including Independent Directors)	4.47%	4.47%	(4.24%)	(4.24%)
Supervisors	0.16%	0.16%	-	-
General Manager and Vice General Manager	6.44%	6.44%	(11.29%)	(11.29%)

2. Remuneration policy, standard and combination, remuneration resolution process, the relevance between operation performance and future risks of the Company:

(1) In accordance with Article 26-1 of the Company's Articles of Incorporation, the remuneration of the Company's Directors shall be distributed by the Board of Directors at a rate of not more than 3% of the Company's profitability for the current year, based on the Directors' annual performance evaluation and contribution, taking into account the Company's operating results for the current year and future risks, and reported to the Shareholders' meeting with the approval of the Board Meeting.

(2) The remuneration of the General Manager and Vice General Manager is evaluated and adjusted based on their duties, personal performance and contribution to the Company's overall operations, the Company's operating performance for the year and the Company's future risks, and with reference to the industry standard.

IV. Implementation status of Corporate Governance

(I) Operation of the Board Meeting: The 17th Board of Directors met 9 times during the year 2020 and up to April 15, 2021, and the attendance of the Directors is as follows.

Title	Name	Attendance in person	By proxy	Rate of attendance in person (%)	Note
Chairman	Yueh-Ming Tung	9	0	100.00%	By-election was held on June 18, 2019; numbers of meetings to be attended shall be 9
Director	Edward Shaw-Yau Duh	4	0	100.00%	Resigned on October 16, 2020; numbers of meetings to be attended shall be 4
Director	Hok-Ngang Chui	5	1	83.33%	Certain discharge on December 30, 2020; shall attend the meeting 6 times
Director	PHISON ELECTRONICS CORPORATION (Representative: Wee-Kuan Gan)	2	5	22.22%	By-election was held on June 18, 2019; numbers of meetings to be attended shall be 9
Director	Daphane Wu	3	0	100.00%	By-election was held on December 3, 2020; numbers of meetings to be attended shall be 3
Independent Director (Note)	Philip Wei	6	0	100.00%	Resigned on December 9, 2020; numbers of meetings to be attended shall be 6
Independent Director (Note)	Ching-Tien Tsai	9	0	100.00%	By-election was held on June 18, 2019; numbers of meetings to be attended shall be 9
Independent Director (Note)	Jeng-Ren Chiou	9	0	100.00%	By-election was held on June 18, 2019; numbers of meetings to be attended shall be 9

Other matters that require reporting:

I. If any of the following situations occur, please expressly state the dates and sessions of the Board Meetings, motion contents, all Independent Directors' opinions and the Company's response to Independent Directors' opinions:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act: The Company has established an Audit Committee on June 18, 2019, and the provisions of Article 14-3 of the Securities and Exchange Act are not applicable. For a description of the matters set forth in Article 14-5 of the Securities and Exchange Act, please refer to the Audit Committee's operations and other matters to be recorded (page 18).

(II) In addition to previous matters, other resolutions of the Board Meetings for which the Independent Directors express adverse opinions or qualified opinion with records or with written statements: None.

II. The status on Directors executing the proposal of conflict of interest:

Date of Board Meeting	The status on Directors executing the proposal of conflict of interest
October 16, 2020	The chairman of the Board of Directors, Mr. Edward Shaw-Yau Duh, Mr. Chien-Cheng Pan and Mr. Hok-Ngang Chui are the parties to the strategic cooperation and signed the cooperation contract with CHIPBOND TECHNOLOGY CORPORATION, and were recused in accordance with the rules of the Board Meeting regarding conflict of interest. The motion was presided over by Director Yueh-Ming Tung on behalf of the Chairman, and was approved with the consent of 4 other Directors who did not recuse themselves from the meeting.
October 16, 2020	The Company amended some articles of the "Articles of Incorporation" and the Chairman, Mr. Edward Shaw-Yau Duh, the Director, Mr. Chien-Cheng Pan, and Director, Mr. Hok-Ngang Chui, were recused in accordance with the rules of the Board Meeting regarding conflict of interest. The motion was presided over by Director Yueh-Ming Tung on behalf of the Chairman, and was approved with the consent of 4 other Directors who did not recuse themselves from the meeting.

October 16, 2020	The Company issued Preferred Shares in 2020, and the Chairman, Mr. Edward Shaw-Yau Duh, the Director, Mr. Chien-Cheng Pan, and Director, Mr. Hok-Ngang Chui, were recused in accordance with the rules of the Board Meeting regarding conflict of interest. The motion was presided over by Director Yueh-Ming Tung on behalf of the Chairman, and was approved with the consent of 4 other Directors who did not recuse themselves from the meeting.
October 16, 2020	The Company convened its first Extraordinary Shareholders' Meeting in 2020, and the Chairman, Mr. Edward Shaw-Yau Duh, the Director, Mr. Chien-Cheng Pan, and Director, Mr. Hok-Ngang Chui, were recused in accordance with the rules of the Board Meeting regarding conflict of interest. The motion was presided over by Director Yueh-Ming Tung on behalf of the Chairman, and was approved with the consent of 4 other Directors who did not recuse themselves from the meeting.

III. The status of Performance Evaluation on the Board of Directors: On March 27, 2020, the Company adopted the "Performance Evaluation of the Board of Directors" in order to implement corporate governance and enhance the functions of the Board of Directors and functional committees, the performance of the Board of Directors is evaluated annually in accordance with the Performance Evaluation of the Board of Directors, and the results are reported to the Board Meeting.

Cycle of evaluation	Period of evaluation	Scope of evaluation	Methods and contents of evaluation	2020 evaluation results
Evaluates once every year	January 1, 2020 to December 31, 2020	The Board Meeting, individual members of Board of Directors, and functional committees	Self-evaluation on the performance of the Board of Directors: A. Level of involvement in the Company's operation B. Improvement on the quality of the Board Meeting's decisions C. the makeup and the structure of the members of the Board of Directors D. The Directors' Election and Their Continuing Education E. Internal control Self-evaluation on the performance of members of the Board of Directors: A. Alignment of the goals and mission of the Company; B. Understanding and recognition of the responsibilities of Directorship C. Level of involvement in the Company's operation D. Management and communication on internal relationship E. The Directors' Election and Their Continuing Education F. Internal control Self-evaluation on the performance of functional committees: A. Level of involvement in the Company's operation B. Understanding and recognition of the responsibilities of functional committees C. Improvement on the quality of the functional committees' decisions D. Makeup and selection of the committee members and E. Internal control	The Company's Board of Directors and functional committees exercise their authority in accordance with the law. Among them, members of the Board of Directors have low scores in the area of "Election and Continuing Education for Directors", and the Board of Directors will provide continuous professional development programs to enable Directors to strengthen their knowledge and skills. The evaluation results showed that regarding the efficiency and effectiveness of each benchmark, the Directors all have shown positive results in evaluation.

IV. Evaluation of the current and most recent year on objectives for enhancing the functions of the Board of Directors (e.g., establishment of an Audit Committee, enhancement of information transparency, etc.) and their implementation:

(I) The Company's Chairman does not concurrently hold managerial positions.

(II) On June 18, 2019, the Company's General Shareholders' Meeting elected Independent Directors and established an Audit Committee to replace the Supervisors' duties and responsibilities to strengthen the Board Meeting's functions.

(II) The operating status regarding the Audit Committee:

For the year 2020 and up to April 15, 2021, the first Audit Committee had 8 meetings, and the attendance of Independent Directors was as follows:

Title	Name	Attendance in person	By proxy	Attendance Rate (%)	Note
Independent Director	Ching-Tien Tsai	8	0	100%	Numbers of meetings to be attended shall be 8
Independent Director	Philip Wei	6	0	100%	Resigned on December 9, 2020; numbers of meetings to be attended shall be 6
Independent Director	Jeng-Ren Chiou	8	0	100%	Numbers of meetings to be attended shall be 8

Other matters that require reporting:

I. For Audit Committee meetings that meet any of the following descriptions, state the date and session of Board of Directors meeting held, motion contents, the Audit Committee's resolution, and how the Company has responded to the Audit Committee's opinions:

(I) Matters specified in Article 14-5 of the Securities and Exchange Act: after the entire members of Audit Committee, they will be submitted to the Board of Directors.

Date	Term	Motion content
March 27, 2020	Third session of the first Audit Committee	1. 2019 individual and consolidated financial statements 2. The effectiveness of the internal control system and provision of "Internal Control System" for 2019 3. 2019 earnings distribution. 4. 2019 remuneration distribution for Employees and Directors 5. Loaning to OSE Phils: borrow-new-return-old proposal. 6. OSE Phils' guarantee of fixed deposits for loans. 7. Revision of some provisions of the "Articles of Incorporation." 8. Amendment to the "Audit Committee Organizational Procedures". 9. Establishment of the Ethical Corporate Management Best Practice Principles.
May 7, 2020	Fourth session of the first Audit Committee	1. Formulation of the "Operational Procedures of the Internal Control System". 2. Loaning to OSE Phils: borrow-new-return-old proposal. 3. Evaluation of 2020 CPA's independence and appropriateness. 4. Proposal on disposal of Kai-ying plant. 5. Formulation of the "Ethical Corporate Management Best Practice Principles". 6. Private placement of ordinary shares for cash capital increase.
August 12, 2020	Fifth session of the first Audit Committee	1. Revision of some internal control systems and implementation details of internal audits. 2. Loaning to OSE Phils: adjustment on the interst rate. 3. Transfer of other receivables from OSE Phils beyond the credit period to a loan of funds. 4. Loaning to OSE Phils: borrow-new-return-old proposal.
October 16, 2020	Sixth session of the first Audit Committee	1. The resolution of the 2020 Annual General Meeting of Shareholders to increase in cash the share capital of the private placement of common shares, was not executed. 2. Proposal on the Company's proposal for 2020 issuance of preferred shares through a private placement.
November 5, 2020	Seventh session of the first Audit Committee	1. The Company signed an agreement of a strategic partnership with CHIPBOND TECHNOLOGY CORPORATION, and is planning on amending part of the content in the agreement.

		2. "List of candidates for the 17th by-election of Directors". 3. The reconfirmation of "Change of Chief Financial Officer and Spokesperson". 4. Discussion on the fourth quarter of 2020 "Proposal on Bank Credit Line". 5. Loaning to OSE Phils: borrow-new-return-old proposal.
December 3, 2020	Eighth session of the first Audit Committee	1. The number and price of the preferred shares to be issued in the private placement for 2020 and the base date of the capital increase.
January 26, 2021	Ninth session of the first Audit Committee	1. To elect the convener of the first Audit Committee. 2. Loaning to OSE Phil. 3. The reconfirmation of "Change of Chief Financial Officer".
March 10, 2021	Tenth session of the first Audit Committee	1. 2020 Individual and Consolidated Financial Statement. 2. 2020 Deficit Compensation Statement. 3. The effectiveness of the internal control system, and provision of the "Declaration of Internal Control System" for 2020. 4. Revision of some provisions of the "Articles of Incorporation." 5. Revision of some provisions of the "Operating Procedure for Assets Acquisition and Disposal." 6. The proposed change of certified public accounting firm and certified public accountant will be effective from the first quarter, 2021. 7. Loaning to OSE Phils: borrow-new-return-old proposal.

(II) Aside form the previous motions, other matters adopted by the approval of two-thirds or more of all Directors, without having been passed by the Audit Committee of the Company: None.

II. For the implementation of Independent Director s' recusal for conflicts of interests, the Independent Director s' name, motion contents, reasons for the required recusal and participation in the voting process: None

III. State of communication between Independent Director s, internal audit Supervisor and CPA (such as significant items, methods and results of communications on the Company's finances and business status):

(I) The Company's certified public accountants regularly meet with the Audit Committee to discuss matters of communication:

Date	Item of communication	Results of communication/execution
March 27, 2020	The Auditor will issue an individual and consolidated financial report for the year 2019, with key findings and explanations for the Independent Directors' review, and will respond to and discuss the issues raised by the Independent Directors.	The Audit Committee has no objection to the results of the audit of the 2019 financial statements.
August 12, 2020	Review of Consolidated Financial Statements and Discussion of Reports for the Second Quarter of 2020.	The Audit Committee has no objection to the results of the audit of the financial statements of the Second Quarter of 2020.
March 10, 2021	The Auditor will issue an individual and consolidated financial report for the year 2020, with key findings and explanations for the Independent Director s' review, and will respond to and discuss the issues raised by the Independent Director s.	The Audit Committee has no objection to the results of the audit of the 2020 financial statements.

(II) The Company's internal head of audit regularly meet with the Audit Committee to discuss matters of communication:

Date	Item of communication	Results of communication/execution
March 27, 2020	Present the 2019 “Declaration of Internal Control System”.	No objections.
	Report on the performance of internal audit execution of January to February of 2020.	No objections.
May 7, 2020	Report on the performance of internal audit execution of March, 2020.	No objections.
August 12, 2020	Report on the performance of internal audit execution of April to June, 2020.	No objections.
November 5, 2020	Report on the performance of internal audit execution of July to September of 2020.	No objections.
	To establish the Company's internal audit plan for 2021.	No objections.
March 10, 2021	Present the 2020 “Declaration of Internal Control System”.	No objections.
	Report on the performance of internal audit execution of January to February of 2021.	No objections.

(III) Implementation status of corporate governance and the variations and causes of variations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation item	Operation status			The variations and causes of variations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary Description	
I. Has the Company defined and disclosed its corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?"		V	The Company has not established "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies." But it has defined Rules of Procedure for Shareholders Meeting, Rules of Procedure for Board Meeting and Rules of Ethical Management and internal control system, the corporate governance spirit is included in the internal control system and related management regulation to achieve the operation of corporate governance.	Compliance with Corporate Governance Best Practice Principles.
II. Structure of shareholdings and shareholder's equity (I) Has the Company established the internal procedures for handling shareholder suggestions, questions, disputes and litigation and implement according to the procedures? (II) Has the Company kept an up-to-date list of its dominant Shareholders and the parties with ultimate control over its dominant Shareholders? (III) Has the Company established and implemented a risk control and firewall mechanism among its affiliates? (IV) Has the Company established internal rules to prevent the insiders from trading marketable securities through undisclosed information in the market?	V V V V		(I) The Company has established a spokesperson system and we provide service personnel for Shareholders' affairs in the accounting dept. to deal with Shareholders' suggestions and related affairs. In addition to providing the investors with contact windows, we have also appointed a professional stock transfer agency to provide professional consulting services. (II) The Company can understand and control the major structure of Shareholders from the regular report of changes in shareholding of Directors, Supervisors and Managerial Officers by the stock transfer agency and insiders (III) The management responsibilities between the Company and its affiliates are divided clearly, "Regulation on Stakeholders Transaction" and "Supervision and Management of Subsidiary" are also defined and the finance, business, accounting of affiliates operates independently under the control and audit of the Company. (IV) The Company has defined "Code of Ethics" and "Internal Material Information Processing Operating Procedure" which is applicable to Directors, Supervisors, Managerial Officers, Employees of the Company and the update and promotion of the relevant information is implemented on an irregular basis.	Compliance with Corporate Governance Best Practice Principles.

Evaluation item	Operation status			The variations and causes of variations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary Description	
III. Composition and duties of the Board of Directors (I) Has the Board of Directors established and implemented a defined policy to diversify the Board Members?	V		(I) The Board of the Company has seven Directors including three Independent Directors and one female Director; the Directors specialize in different professional qualifications, skills and knowledge. They are prestigious individuals in the academic field and the industry with rich experience of the industry and academic background, and they are greatly beneficial to increase of business performance and management efficiency for the Company.	Compliance with Corporate Governance Best Practice Principles.
(II) In addition to the Remuneration Committee and the Audit Committee required by law, has the Company voluntarily established other functional committees?		V	(II) The Company has established the Remuneration Committee according to law, and other corporate governance operation is responsible by each department based on its duties. The Company has not established other functional committees and it will be established in the future according to the requirement.	May be established according to requirements
(III) Has the Company established the Board of Directors' performance evaluation and its evaluation methods, and does the Company perform regular performance evaluation each year and submit the results of performance evaluations to the Board of Directors and use them as reference in determining remuneration for individual Directors, their nomination and additional office term?	V		(III) The Company's Board of Directors have established the Board of Directors' Performance Evaluation Method on March 27, 2020, and the results of this performance evaluation will be submitted to the Board of Directors for reference of individual Directors' salary compensation and nomination for reappointment.	Compliance with Corporate Governance Best Practice Principles.
(IV) Does the Company regularly evaluate the independence of certified public accountants?	V		(IV) The Company's CPAs do not serve as the Company's Director and Supervisor and are not the Company's Shareholders, and abides by Certified Public Accountant Act and the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10 The Company implements regular evaluation (once a year) of the CPAs' independence and appropriateness. After the Audit Committee evaluated the CPAs' independence and appropriateness on March 10, 2021, it was delivered to the Board of Directors for resolution and the independence statement issued by the certified public accountant was provided.	Compliance with Corporate Governance Best Practice Principles.

Evaluation item	Operation status			The variations and causes of variations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary Description	
IV. Where the Company is a TWSE/TPEX listed company, has the Company designated an appropriate number of personnel that specializes (or is involved) in corporate governance affairs (including but not limited to providing Directors/Supervisors with the information needed and assist Directors and Supervisors in complying with the laws and regulations to perform their duties, convention of Board Meetings and Shareholders' Meetings, preparation of Board Meeting and Shareholders' Meeting minutes etc.)?	V		The Company has personnel responsible for stock related matters in the Accounting Department, who is also responsible for matters related to the governance of the Company. And there will have a Head of Corporate Governance by June 30, 2021 , whose primary responsibilities will include: (1) Handling of matters relating to Board Meetings and Shareholders' Meetings in compliance with law. (2) Production of minutes for the Board Meetings and Shareholders' Meetings. (3) Assisting Directors to assume Directorships, and their continuing education. (4) Providing information needed for Directors to perform duties. (5) Assisting Directors to comply with compliance.	Compliance with Corporate Governance Best Practice Principles.
V. Has the Company established the channels for communication with the stakeholders (including but not limited to the Shareholders, Employees, customers and suppliers), set up the stakeholder section in the Company's website, and respond appropriately to important CSR issues concerned by the stakeholders?	V		(I) The Company has a spokesperson and deputy spokesperson, the related contact information is disclosed on Market Observation Post System and the Company's website according to the regulation. Meanwhile, the Company also discloses financial and Shareholders affairs-related information on Market Observation Post System and its website to establish great communication channels with investors. (II) The Company has established the stakeholder section (including but not limited to relations with departments of jurist persons, public relations, stock affairs, HR, customer service and procurement) under CSR on the Company's website, and specified the contact channels with stakeholders to make the Company understand the issues concerned by stakeholders and respond to them appropriately.	Compliance with Corporate Governance Best Practice Principles.
VI. Has the Company appointed a professional stock transfer agency to deal with Shareholders' Meetings affairs?	V		The Company has appointed a professional stock transfer agency- stock transfer agency of CTBC Bank Co., Ltd to assist in stock affairs for the Company.	Compliance with Corporate Governance Best Practice Principles.
VII. Information disclosure (I) Has the Company set up a website to	V		(I) The Company has set up a website(www.ose.com.tw) to introduce the	Compliance with Corporate

Evaluation item	Operation status			The variations and causes of variations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary Description	
disclose its financial and corporate governance information? (II) Has the Company adopted other methods to disclose information (such as setting up an English website, designating dedicated personnel to gather and disclose company information, implementing the spokesperson system, and posting investor conferences on video in the Company website)? (III) Has the Company published and reported its annual financial report within two months after the end of a fiscal year, and published and reported its financial reports for the first, second, and third quarters, as well as its operating status for each month before the specified deadline?	V	V	Company's situation and relevant operations, and also disclosed and reported all the financial, business operations and corporate governance information on Market Observation Post System according to the regulations of the competent authority. (II) The Company has set up a Chinese/English website, established the spokesperson and deputy spokesperson systems to take charge of the external communication, and designated the dedicated personnel to disclose the Company information on Market Observation Post System website according to the regulation. (III) The Company has published and reported its annual financial report within the required period (within three months) and financial reports of the first, second and third quarters (within 45 days), and the monthly operating status (within the 10th day of each month) in accordance with Article 36 of the Securities and Exchange Act.	Governance Best Practice Principles.

Evaluation item	Operation status			The variations and causes of variations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary Description	
VIII. Is there any other material information that will help the stakeholders understand the implementation status of corporate governance in the Company (including but not limited to Employee rights, Employee care, investor relations, supplier relations, stakeholder rights, further study status of Directors and Supervisors, the implementation status of the risk management policy and risk measurement standard, the implementation status of the customer policy, and the Company's purchase of liability insurance for Directors and Supervisors)?	V		(I) Employee rights, Employee care: The Company has assigned the HR as the dedicated unit for handling Employee rights. In addition, the Company has also set up the Employee Welfare Committee to take care of the Employees, and all of them work smoothly. (II) Investor relations: The Company has established communication channels like spokesperson and deputy spokesperson system to answer the relevant questions asked by the Shareholders. (III) Supplier relations: The Company has kept a good relationship with the suppliers and also set up the contact window under the stakeholder section on the Company's website. (IV) Stakeholders' rights: The Company respects and protects stakeholders' legal rights, keeps good communication channels with customers, Employees and suppliers, and discloses the related information and provides all the real-time company information according to the regulation of competent authority. (V) The status on Directors' and Supervisors' continuing education: all of the Directors and Supervisors have relevant operational experiences and professions, please refer to Annex 1 for further education status of 2020. (VI) The implementation status of the risk management policy and risk measurement standard: The Company's material motions such as material operation policies, investments, endorsements and guarantees, loaning and bank loans are evaluated and analyzed by the appropriate competent authority and executed according to the resolution of the Board Meeting, the Auditing Office also establishes and effectively implements its annual audit plan according to the risk evaluation result to fulfill supervision mechanism and control all the risks. (VII) The implementation status of the customer policy: The Company has established dedicated unit to handle the implementation of the customer policy, and the implementation status goes smoothly. (VIII) The status of the Company purchasing liability insurance for Directors and Supervisors: The Company purchases liability insurance for Directors and managers annually. The insurance coverage is periodically evaluated annually and the renewal of Directors' liability insurance is reported to the Board of Directors.	Compliance with Corporate Governance Best Practice Principles.

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operation status</th><th rowspan="2">The variations and causes of variations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td colspan="5">IX. Please specify the status of improvements which have been made and propose the prioritized improvements for other matters which have not been improved yet according to the Corporate Governance Evaluation results announced by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year.</td></tr>
</table>

Number	Evaluation indicator	Improvements which have been made/ proposal of the prioritized improvements for other matters which have not been improved yet
2.11	Does the Company truthfully disclose the reason of discussions and resolutions of the Remuneration Committee and the Company's response to members' opinions in the annual report?	The date and period of the annual meeting of the Compensation Committee 2020, the content of motions, the results of resolutions and the Company's handling of the opinions of the Compensation Committee are described on page 30 of this annual report.
3.5	Does the MOPS upload the annual report disclosed in English 7 days prior to a general meting of Shareholders?	The Company uploads its annual financial reports disclosed in English within the required time.
4.10	Does the Company's website and the annual report disclose the personal safety of workers and protective measures in workplace as well as their actual implementation status?	The Company has specified the personal safety and protective measures in workplace as well as their actual implementation status in the annual report; it has also been disclosed that the Company has obtained the OHSAS 18001 or TOSHMS certification.
4.11	Has the Company disclosed annual emissions of carbon dioxide or other greenhouse gases over the past two years?	The Company has disclosed annual emissions of carbon dioxide or other greenhouse gases for 2018 and 2019.
4.13	Has the company obtained ISO 14001, ISO50001 or similar environmental or energy management system certification?	The Company has disclosed the date and validity of the certification in the annual report, company website and the CSR report.

Annex 1

Title	Name	Date of assumption of office	Date of further study		Organizer	Name of class	Hours
			From	To			
Chairman	Yueh-Ming Tung	June 18, 2019	September 18, 2020	September 18, 2020	Securities and Futures Institute	The newest revision and analysis of the Company Act	3
Independent Director	Ching-Tien Tsai	June 18, 2019	March 20, 2020	March 20, 2020	The National Federation of CPA Associations of the R.O.C.	Trust and Trusted Property's Tax	3
			June 12, 2020	June 12, 2020		Application of newly issued Statements of Auditing Standards, No. 69 to 72	3
			August 31, 2020	August 31, 2020		The latest SFC & Practical Analysis	3
			October 12, 2020	October 12, 2020		Post-APG forecast and prospects (AML)	3
Independent Director	Jeng-Ren Chiou	June 18, 2019	September 4, 2020	September 4, 2020	Taiwan Corporate Governance Association	Introduction to Common Asset Protection Tools in Taiwan - Beginning with the Closed Company System	3
						Insider Trading Prevention and Countermeasure	3
Head of Accounting	Shu-Yung Chu	December 1, 2018	July 16, 2020	July 17, 2020	National Cheng Kung University	Accounting Executive Continuing Education - Insight into the hidden messages in financial statements	3
						Accounting Executive Continuing Education - Commercial Bribery and the Whistle Blowing Act	3
						Accounting Executive Continuing Education - Taxation Management in Multinational Enterprises	3
						Accounting Executive Continuing Education - The Impact of Global Tax Avoidance on Taiwanese Businesses' Capital Allocation, and Key Analysis of Corporate Merger and Acquisition	3
Chief auditor	Chia-Jung Wu	August 13, 2019	May 22, 2020	May 22, 2020	Internal Audit Association of the Republic of China	Practical operation and law analysis after the implementation of the Company Act	6
			July 11, 2020	July 25, 2020		Internal Auditor Core Knowledge Skills Course (I): The Essence of Internal Audit	18
			July 15, 2020	July 15, 2020		Class on Audit Practice of Manufacturing Material System	6
			July 31, 2020	July 31, 2020		Policy analysis and internal audit and control practice for enterprises to enhance the ability of self-prepared financial reports	6

Title	Name	Date of assumption of office	Date of further study		Organizer	Name of class	Hours
			From	To			
			August 22, 2020	September 5, 2020		Internal Auditor Core Knowledge Skills Course (II): The Practice of Internal Audit	18
			August 28, 2020	August 28, 2020		Business Activities and Case Studies on Dishonest Business Conduct	6
			September 8, 2020	September 8, 2020		How to prevent major financial malpractice (short-selling, insider trading, transfer of benefits, stock price manipulation, unconventional trading, inaccurate financial reporting, etc.)	6
			September 11, 2020	September 11, 2020		Labor law knowledge for auditors - from recruitment to termination	6
			September 14, 2020	September 14, 2020		Internal audit guidelines for sales and collection cycles and compliance with laws and regulations	6
			October 17, 2020	November 17, 2020		Internal Auditor Core Knowledge Skills Course (III): Business knowledge of internal auditing	24
			October 22, 2020	October 22, 2020		Legal risks of business management and internal auditors' countermeasure	6
			December 8, 2020	December 8, 2020		Practical operation of privacy policy on internal audit	6
			January 20, 2020	January 20, 2020	Accounting Foundation	Latest IFRS Q&A and Certificate of Common Mistakes Analysis	3
			January 20, 2020	January 20, 2020		The Impact of the Newly Released “Labor Incident Act” on Enterprises and the Certificate of Response	3
			July 9, 2020	July 9, 2020		Corporate social responsibility	3
			September 18, 2020	September 18, 2020	Securities & Futures Institute	Analysis of corporate financial information and application to decision making	3

(IV)If the Company has established the Remuneration Committee, the composition, duties and operation status should be disclosed:

1. Information of members of the Remuneration Committee

Identity category (Note 1)	Criteria / Name	Meet one of the following professional qualification requirements and at least five years' work experience: An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university.	A judge, public prosecutor, attorney, CPA or Other professional or technical specialist necessary for the business of the company who has passed a national examination and been awarded a certificate.	Have work experience in the fields of commerce, law, finance, accounting, or other work experience necessary for the business of the company.	Status of independence (Note 2): 1	2	3	4	5	6	7	8	Number of other public companies in which the individual is concurrently serving as a member of the Remuneration Committee	Note
Independent Director	Ching-Tien Tsai		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None
Independent Director	Jeng-Ren Chiou	✓			✓	✓	✓	✓	✓	✓	✓	✓	3	None
Independent Director	Philip Wei		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Resigned on December 14, 2020
Others	Cha-Hwa Hsu			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Newly appointed on January 26, 2021

Note 1: Please fill in Director, Independent Director or others in the identity category column.

Note 2: Please check "✓" in the corresponding boxes if the qualification applies to each member during the two years prior to being elected or during the term of office.

(1) Not an Employee of the Company or any of its affiliates.

(2) Not a Director or Supervisor of the Company or any of its affiliates. Except for Independent Director s of the Company or its parent company or a subsidiary established in accordance with this Act or the local laws.

(3) Holding more than 1% of the total outstanding shares issued by the Company or among the top 10 natural person Shareholders by the person or his spouse or minor children, or in the name of a third party.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a Director, Supervisor or Employee of an legal person shareholder holding more than 5% of the total outstanding shares issued by the Company, or Director, Supervisor or Employee of an legal person shareholder who is among the top five Shareholders.

(6) Not a Director, Supervisor, Managerial Officer of a specified company or institution which has a financial or operational relationship with the Company or a shareholder holding more than 5% of the total outstanding shares issued by the Company.

(7) Not a professional individual, owner, partner, Director, Supervisor, Manager of proprietorship, partnership, company or institution that provides commercial, legal, financial and accounting services to the company or its affiliates, or a spouse to the aforementioned persons.

(8) Not under any of the categories stated in Article 30 of the Company Act.

2. Operating status of the Remuneration Committee

(1) The Company's Remuneration Committee consists of three members.

(2) The Company's Board Meeting had an election on June 18, 2019. The term of office of this Board (fourth Board) is August 13, 2019 to June 17, 2022.

(3) The Remuneration Committee held 6 meetings (A) in the most recent year (2020). The qualification of members and the status of attendance are as follows:

Title	Name	Attendance in person (B)	By proxy	Rate of attendance in person (%) (B/A) (Note)	Note
Convener	Ching-Tien Tsai	6	0	100%	The fourth re-election: numbers of meetings to be attended shall be 6
Member of the Committee	Jeng-Ren Chiou	6	0	100%	The fourth re-election: numbers of meetings to be attended shall be 6
Member of the Committee	Philip Wei	4	0	100%	Resigned on December 14, 2020; numbers of meetings to be attended shall be 4
Member of the Committee	Cha-Hwa Hsu	2	0	100%	Resigned on January 26, 2021; numbers of meetings to be attended shall be 2

Other matters that require reporting:

I. When the Board Meeting rejects or modifies the recommendations made by the Remuneration Committee, please expressly state the date and session of the Board Meeting, motion contents, the resolved by the Board Meeting, and settlement on the opinions of the Remuneration Committee: none.

II. When there are any of members expressing adverse opinion or qualified opinion with records or with written statements for resolutions by the Remuneration Committee, state the date and session of the Remuneration Committee meeting, motion contents, all the members' opinions and the settlement on their opinions:

Remuneration Committee	Motion contents and further handling	Resolution result	The Company's response to the Audit Committee's opinions
The fourth Board Third meeting (March 27, 2020)	1. Reconfirmation of the performance bonus for the Company's Executive Officers in 2019 2. 2019 remuneration distribution for Employees and Directors. 3. Amendment to the "Calculation Method for Employees' Bonus". 4. Formulation of the "Remuneration Measures for Directors and Members of Functional Committee". 5. Amendment to the "Rules Governing the Scope of Powers of Independent Directors". 6. Cancellation on Directors' travel allowances. 7. Formulation of the "Board of Directors' Performance Evaluation".	All attending members approved the motion without any dissenting opinion	Was submitted to the Board Meeting and all attending Directors have approved
The fourth Board Fourth meeting (May 7, 2020)	1. The compensation package for managers in 2019. 2. 2019 Annual remuneration distribution to Directors.	All attending members approved the motion without any dissenting opinion	Was submitted to the Board Meeting and all attending Directors have approved
The fourth Board Fifth meeting (August 12, 2020)	1. Reconfirmation of the compensation for the company's Managerial Officers in 2020.	All attending members approved the motion without any dissenting opinion	Was submitted to the Board Meeting and all attending Directors have approved
The fourth Board Sixth meeting (November 5,	1. Retiring Chairman's Pension Case. 2. Retiring Chief Financial Officer's pension case.	All attending members approved the motion without	Was submitted to the Board Meeting and all attending Directors have

2020)		any dissenting opinion	approved
The fourth Board Seventh meeting (March 10, 2021)	1. Reconfirmation of the performance bonus for the Company's Executive Officers in 2020. 2. Executive Officers' compensation and remuneration adjustment. 3. Amendment to the "Compensation Committee Charter".	All attending members approved the motion without any dissenting opinion	Was submitted to the Board Meeting and all attending Directors have approved
The fourth Board Eighth meeting (April 15, 2021)	1. Remuneration for the new General Manager.	All attending members approved the motion without any dissenting opinion	Was submitted to the Board Meeting and all attending Directors have approved

Note:

(1) If a member of the Remuneration Committee resigns before the end of a fiscal year, state the service termination date in the remarks section, and the rate of attendance in person is calculated by the number of the Remuneration Committee meetings and his attendance in person during his service period.

(2) If a Remuneration Committee re-election is held before the end of a fiscal year, the name of former and newly-elected members should all be listed, and also state the status of the members: former, newly-elected or re-elected, and the re-election date in the remarks section. The rate of attendance in person (%) is calculated by the number of the Remuneration Committee meetings and the attendance in person during his service period.

(V) The variations and the causes of variations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies:

Evaluation item	Operation status			The variations and the causes of variations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary Description	
I. Has the company performed risk assessments on environmental, social, and corporate issues in relation to the company's operations according to material principles, and formulated relevant risk management policies or strategies?	V		The Company follows the requirements of the GRI (Global Reporting Initiative) when planning for CSR strategies as well as their implementation. Material assessment is determined by the degree of concern of stakeholder groups and the degree of impact on the Company's operation. The Company manages and responds according to the order of the material degree. The top management has signed social responsibility declaration in combination with the existing ESH policy to clearly declare his dedication to following CSR-related regulation, and the implementation effectiveness is submitted to the top management regularly.	None
II. Has the Company established a dedicated (concurrent) unit to implement corporate social responsibility? Has the Board of Directors delegated a senior management team to handle CSR affairs and report its implementation status back to the Board?	V		General Admin. Dept., General Manager Office and each group jointly promote various tasks of the Company's CSR. The CSR management system is audited annually by internal and external personnel to ensure the management system is continuous improving; the result of audits are reviewed by the management to ensure its continuous efficiency.	None
III. Environmental Issues (I) Has the company established an appropriate	V		The Company has established a management system of environment, safety and health and acquired ISO 14001 (valid until 2022), OHSAS 18001 (valid until 2021) and CNS15506 (valid until 2021) certifications. Formulate	None

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operation status</th><th rowspan="2">The variations and the causes of variations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>environmental management system based on the characteristics of its industry?</td><td></td><td></td><td>measurable goals and management programs, regularly review the goals and the effectiveness of the management programs.</td><td></td></tr>
<tr><td>(II) Is the Company dedicated to improving the utilization efficiency of all the resources and using the recycled materials with low impact on the environment?</td><td>V</td><td></td><td>The Company has established energy management standard operating procedure to regularly review the utilization status of water, electricity and other energy, implement the projects of energy conservation and carbon reduction in the factories to improve the utilization efficiency of energy.</td><td>None</td></tr>
<tr><td>(III) Does the company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?</td><td>V</td><td></td><td>The Company has established GHG inventories-related operation standard according to ISO 14064-1 standard, and implemented all the projects of energy conservation and carbon reduction according to ISO 14001 standard.</td><td>None</td></tr>
<tr><td>(IV) Does the Company maintain statistics on greenhouse gas emission, water usage and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water and waste?</td><td>V</td><td></td><td>The Company has established GHG inventories-related operation standard according to ISO 14064-1 standard, and implemented all the projects of energy conservation and carbon reduction according to ISO 14001 standard.
Information for the past two years:
<table>
<tr><th>Metric tons/CO2e</th><th colspan="2">2019</th><th colspan="2">2020</th></tr>
<tr><td>Scope 1</td><td>1,355.450</td><td>1.48%</td><td>1,106.037</td><td>1.37%</td></tr>
<tr><td>Scope 2</td><td>89,933.713</td><td>98.52%</td><td>79,396.607</td><td>98.63%</td></tr>
<tr><td>Total emission</td><td>91,289.163</td><td>100.00%</td><td>80,502.644</td><td>100.00%</td></tr>
</table>
II. Water Usage
<table>
<tr><th>Tonnage</th><th>2019</th><th>2020</th></tr>
<tr><td>Total water usage</td><td>1,822,005</td><td>1,530,449</td></tr>
<tr><td>Waste water recovery volume</td><td>432,380</td><td>422,715</td></tr>
</table>
III. Waste
<table>
<tr><th>Tonnage</th><th>2019</th><th>2019</th></tr>
<tr><td>Total amount</td><td>3,615,582</td><td>2,628,924</td></tr>
<tr><td>Waste recovery volume</td><td>1,331,584</td><td>872,685</td></tr>
</table></td><td>None</td></tr>
<tr><td>IV. Social Issues
(I) Has the Company established related management policies and procedures in accordance with relevant laws and international conventions on human rights?</td><td>V</td><td></td><td>The formulation of all the management regulations of the Company follows and conforms with the related laws of the government, clearly declares its dedication to following international CSR-related regulation to ensure Employee's rights and interests.</td><td>None</td></tr>
<tr><td>(II) Has the Company developed and implemented reasonable Employee welfare measures (including compensation, leave of</td><td>V</td><td></td><td>The Company has established and enforced reasonable Employee welfare measures - please refer to V. Labor Relations (Page 69); and the Company has appropriately reflected business performance in Employees’ remuneration - please refer to (VIII) Remuneration of Employees and Directors (Page 55).</td><td>None</td></tr>
</table>

Evaluation item	Operation status			The variations and the causes of variations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary Description	
absence and other benefits), and appropriately reflected business performance or outcome in Employees' remuneration?				
(III) Has the Company provided the Employees with a safe and healthy work environment and arranged regular safety and health education for Employees?	V		(1) The Company has established the occupational safety and health management system and acquired OHSAS 18001 and CNS15506 certifications. The Safety and Health Working Code of Conduct has also been formulated and publicly announced after the approval of the competent authority. (2) The fire equipment of the entire plant is maintained on a regular basis; a fire maintenance report form is submitted and an inspection is carried out in accordance with the regulation of the competent authority each year. (3) Security, control access, monitoring and alarm system have been put in place at various important entrances and exits, environmental safety and health patrol is enforced and self-inspection is carried out as required by the law to strengthen the safety within the plant. (4) Participating in occupational safety and health weekly events and performing various safety and health educational and training in accordance with the government's occupational safety and health education and training laws and regulations, and obtain the Healthy Workplace Certification_Health Promotion Mark.	None
(IV) Has the Company established an effective career development plan for Employees?	V		The Employees enter the training development system from the first day they work in the Company. The system includes the newcomer guidance training, and three major parts containing the offline training, the online training and the self-development training according to the Learning Map (engineering technique staff, administration staff). An inventory check for the ability gap of Employees is performed in the aspect of organizational needs, departmental needs and individual needs in order to plan, arrange the ability of personnel or formulate training plans for personnel development and provide a comprehensive training blueprint to Employees, ensuring the consistency of talent development and Company's operation goals.	None
(V) Has the Company complied with laws and international standards with respect to customers' health, safety and privacy, marketing and labeling in all products and services offered, and implemented consumer protection policies and complaint procedures?	V		The Company mainly specialize in OEM and does not have its own brand, so it does not conduct the related marketing and labeling. The Company has set up a communication channel for stakeholders, and a complaint is handled according to the procedures if there is a need for compliant.	None
(VI) Has the Company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational	V		The Company includes the clauses for immediate termination or rescission in contracts when the supplier violates the CSR policy. Besides, the Company requests the suppliers to abide by related environmental laws, issue the related letter of guarantee and conduct on-site inspection at any time, if the suppliers violate the laws, it can terminate or rescind the contracts immediately.	None

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operation status</th><th rowspan="2">The variations and the causes of variations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>safety and health or work rights/human rights issues, and tracked suppliers' performance?</td><td></td><td></td><td></td><td></td></tr>
<tr><td>V. Has the Company taken reference from the internationally accepted reporting standards or guidance when compiling CSR reports to disclose non-financial information? Have the reports mentioned previously obtained the assurance of third party verification?</td><td>V</td><td></td><td>The Company compiles CSR reports each year according to the GRI requirements. It has been evaluated that there is no need to obtain the assurance of third party verification as of now. The Company may require a third party verification in the future according to needs.</td><td>None</td></tr>
<tr><td colspan="5">VI. If the Company has established its own CSR guidelines according to the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies,” please specify the operating status and the variations between them:
The Comply has formulated the CSR-related regulations in all the operation standards of human resources, environmental protection, safe and health to comply with the laws.</td></tr>
<tr><td colspan="5">VII. Other important information that helps understand CSR operations:
(I) Environmental protection, safety and health:
1. The Company has established the air pollution control and wastewater treatment equipment according to the laws, it assigned the qualified companies to dispose of or recycle the industrial waste, and has set up the wastewater recycling system. In response to the government's policy, the Company launched activities such as the energy conservation and carbon reduction, the garbage classification and recycling and the green procurement, and has been awarded “the First Place of the 2008 Building Renovation and Maintenance Rating,” “2013 Excellent Water-Saving/Energy-Saving Company,” “2016 Resources Recycling Quality Award” by the Export Processing Zone of the Ministry of Economic Affairs and awarded“2011 Kaohsiung City Enterprise Energy-saving Rating Competition Excellent Award,” “Green Restaurant” by the Kaohsiung City Government.
2. We have launched healthy workplace activity, promoted to quit smoking, encouraged the Employees to participate in the hiking activities held by the government that can improve the health, and we have been awarded “Healthy Workplace Accreditation” by the Heath Promotion Administration, Ministry of Health and Welfare in 2010, 2012,2016 and 2019, respectively.
3. We participated in the evaluation of the series activities in the occupational safety and health week and were awarded “Judges' list award,” “participation certificate” in 2012/2013/2014/2015/2016, respectively, by the Ministry of Labor of the Executive Yuan.
(II) The community participation, social contribution, social services and so on:
1. The Company assisted and provided the police with materials recorded by monitoring equipment around the factories to conduct the investigation of the cases, participated in the Zone Defense Organization of the Kaohsiung Export Processing Zone to actively maintain the community order and was awarded “2015/2017 Accident Prevention Measures Quality Award” by the Export Processing Zone.
2. The Company regularly launches internship opportunities during the school year and the summer vacation to make the students who are going to enter the workforce adapt to the life in the work place in advance and know about the Company, job responsibilities for the preparation for the future.
3. The Company has various clubs for activities, so the Employees can participate in the community activities or take part in the activities in the official nonprofit organization to relieve the stress for them.
(III) Social welfare:
1. The Company buys the Shareholders’ Meeting souvenir from the public welfare groups and underprivileged groups each year; in 2020, the Company spent approximately NT$1,841 thousand.
2. The Company invites the public welfare groups and underprivileged groups to put on performances in the year-end banquet and take their seats every year. The Employees join the Export Processing Zone Association according to their personal preference, and make regular monthly donations to help the Employees or their dependents in need in the zone. From time to time, the Company cooperates with blood donation center to hold blood donation events in the factory. The Company also arranges for underprivileged groups to work inside the factory and purchase related gifts, in order to do its best to contribute to society.
(IV) Human Rights:
1. The Company upholds the philosophy of looking after the underprivileged groups and hires a certain number of people who are mentally or physically disabled. From 2017 and 2018, the number of people the Company recruited remained the same as</td></tr>
</table>

Evaluation item	Operation status			The variations and the causes of variations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary Description	

required by the law; in 2020, the Company hires a total of 63 disabled people, exceeding the law requirement, with 30 people lightly disabled, 17 people moderately disabled, and 16 people severely disabled. The Company effectively helps the workers with disabilities to overcome work barriers through designing appropriate duties while working together with professional agencies, groups and applicable units in order to improve their work suitability and further encourage more disadvantaged groups to join in the the workplace.

2. In line with the government's efforts to strengthen the workability of students after graduation, OSE cooperates with 3 schools in the dual-track training flagship program, the industry-academia cooperation program, and the 3-3 rounds of specialized classes for higher education construction and education of overseas Chinese students to provide students with internship opportunities, allowing students to adapt to the industry and workplace environment in advance, and to cultivate the Company's future technical personnel to achieve a win-win situation for both industry and academia.

4. In 2020 there were 20 lecture activities and courses provided to universities and research institutes in Southern Taiwan, and the total number of attendances reached 675. Also, the Company was invited by government officials (e.g. Kaohsiung City Social Bureau, Employment Service Stations, etc.) to plan 5 lecture courses for general job seekers, and the total number of attendances reached 284, Through visits and lectures, students and general job seekers were able to understand the job market situation in advance.

(VI) The variations and causes of variations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies:

Evaluation item	Operation status			The variations and causes of variations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary Description	
I. The establishment of the ethical management policies and plans (I) Has the Company demonstrated its ethical management policies in its regulations and external documents, and stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the Board of Directors and the management committed in fulfilling this commitment?	V		(I) "Sincerity, honesty" is the Company's most crucial core value, and the Company engages in all business activities with the principle of ethical standards. For this purpose, the Company established the Company's "Code of Conduct for Integrity Management" in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and the related implementation rules, which was approved by the Board Meeting on May 7, 2020 and implemented .	No significant difference.
(II) Has the Company established a risk assessment mechanism against unethical behavior, analyzed and assessed business activities within their business scope on a regular basis which are at a higher risk of being involved in unethical behavior, and established prevention programs at least covering the preventive measures specified in Paragraph 2, Article 7 "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V		(II) The Company has formulated the "Ethical Corporate Management Best Practice Principles" and Article 7, paragraph 2 has been prescribed in accordance with the preventive measures for various conducts stipulated in Article 7, paragraph 2 in the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"; suppliers are required to sign the "Code of Conducts Compliance Certificate" as required by the supplier management measures. According to the certificate, suppliers may not conduct any inappropriate business such as bribery, or the Company is entitled to terminate the contract or transaction with the supplier at any time and damage may be compensated.	No significant difference.
(III) Has the Company specified operational procedures, behavioral guidelines, disciplines of violations, as well as an appeal system in the program against unethical behavior, and implemented such programs, and reviewed and revised the previous program on a regular basis?	V		(III) The Company has established the "Ethical Corporate Management Best Practice Principles" which is being promoted upon Directors and managerial officers and is listed as the annual performance assessment.	No significant difference.
II. The implementation of the ethical management (I) Does the Company evaluate the ethical records of its transaction parties and explicitly include clauses on ethical conduct in contracts signed with its transaction parties?	V		(I) The Company has expressly stated the prevention measures for violating the ethical principles and the punishment clauses in the commercial contracts.	No significant difference.
(II) Has the Company set up a dedicated responsible unit to promote corporate ethical management under the Board of Directors, and has such unit reported its execution in terms of		V	(II) The Company has not established the dedicated (concurrent) unit yet.	The future will be based on the Company's development needs and

Evaluation item	Operation status			The variations and causes of variations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary Description	
ethical management policy and preventive programs against unethical behaviors and the supervision status to the Board of Directors on a regular basis (at least once a year)?				legal regulations.
(III) Has the Company established and implemented the policy to prevent the conflicts of interest and provide the suitable channels for reporting such conflicts?	V		(III) The rules of procedure for the Board Meeting expressly state the recusal system for the Directors. If the motions proposed by the Board of Directors have conflict of interest with the Directors or the legal person investors they represent, where there is a likelihood that the interests of the Company would be prejudiced, they may state their opinions and answer the questions, but they may not participate in the discussion or vote on those motions and shall recuse themselves from any discussion and voting, and may not exercise voting rights as proxy on behalf of another Director.	No significant difference.
(IV) Has the Company established an effective accounting system and internal control system in order to implement ethical management, and propose relevant audit plans according to the assessment results of the risks of unethical behaviors, and review the compliance status of the prevention of unethical behaviors, or entrust an account to carry out the review?	V		(IV) To ensure the fulfillment of the ethical management, the Company has established effective accounting system and internal control system, the internal auditors also have audited the legal compliance status of these systems.	No significant difference.
(V) Does the company regularly organize the internal and external education training activities for the ethical management?	V		(V) The Company regularly organizes education and training in connection with applicable policy of corporate social responsibility to raise the awareness of Employees' knowledge on corporate social responsibility and regulations. Please refer to annex 1 for the education training results of social responsibility of 2020.	No significant difference.
III. The operating status of the corporate whistleblower system (I) Has the Company established the explicit whistleblower system, the incentive scheme and the convenient whistleblowing channels, and assign the appropriate personnel to investigate the target of the whistleblower complaint?	V		(I) The Company has formulated Employee grievance processing procedure, if any Employee wants to submit or communicate the grievance or other items, he/she can reflect with his/her line manager, Human Resources or other relevant units. Response methods include verbal notification, Employee suggestion box, grievance hotline and email correspondence, and a dedicated staff is responsible for handling the matter in an impartial and confidential manner to resolve and improve Employee problems.	No significant difference.
(II) Has the Company implemented any standard procedures and/or subsequent measures after carrying out an investigation or	V		(II) The Company has established Employee grievance handling procedures which specify that in order to protect the rights of the grievant during the investigation process, the case will be handled in a	No significant difference.

Evaluation item	Operation status			The variations and causes of variations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary Description	
confidentiality measures for handling reported misconduct? (III) Has the Company establish the measures to protect the whistleblowers against the retaliation?	V		confidential manner, and that the name of the grievant or other relevant information that identifies the grievant will not be disclosed. (III) The Company has established Employee Grievance Handlingprocedures that prohibit any retaliation against a complainant, informant, or person who assists in an investigation, and penalize offenders according to the severity of the situation.	No significant difference.
IV. Reinforcing the information disclosure (I) Has the Company disclosed its ethical management principles and effectiveness on its website and the Market Observation Post System website?	V		(I) The Company has disclosed its "Ethical Corporate Management Best Practice Principles" on MOPS and its website (www.ose.com.tw). (II) There was no violation of the "Ethical Corporate Management Best Practice Principles" in 2020. (III) The Company have dedicated personnel to gather and disclose company information, implement the spokesperson system.	No significant difference.
V. If the Company has its own Code of Integrity pursuant to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the differences between its operation and the Code: The Code of Conduct established and operated by the Company is consistent with the provisions of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies".				
VI. Other important information for understanding the integrity of the Company's operations: (e.g., when the Company reviews and amends its Code of Conduct on Integrity): The Company reviews the Company's Code of Conduct on Integrity in conjunction with the revision of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" . The Company has established a Code of Integrity, a Code of Ethical Conduct and a Corporate Social Responsibility Report, available on the Company's website at www.ose.com.tw.				

Annex 1: the results of 2020 CSR education and training is as follows:

Course category	Name of class	Numbers of students
Enterprise operation laws program	Personal Information Protection Act (confidentiality obligation)	752
	Trade Secrets Act (non-competition obligation, confidentiality obligation)	600
	Code of Business Conduct and Ethics (ethical practice)	600
	General Education Training for the Newcomers (Confidentiality Obligations)	600
Human Rights Program	RBA introduction	600
	Operating program of the labor-management laws, information security and Personal Information Protection Act	152
	General Education Training for the Newcomers (RBA code of conduct, personal ethical practice of the Employees, the sexual harassment prevention guidance)	600

(VII) If the Company has established corporate governance guidelines and related regulations, please disclose the methods to access them:

The Company has established measures including the “Rules of Procedure for Shareholders’ Meetings”, “Rules of Procedure for Board of Directors Meetings”, “"Rules for Director Elections", “Procedures for Ethical Management and Guidelines for Conduct” and the “Ethical Corporate Management Best Practice Principles”. Please see the Company's website (www.ose.com.tw)→Investor Relations→Corporate Governance→Major Internal Policies.

(VIII) Other material information that helps increase the understanding of the implementation status of corporate governance:

Please refer to “Implementation status of corporate governance and the variations and causes of variations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies- page 21.”

(IX) Implementation status of the internal control system

1. Internal control system statement

Orient Semiconductor Electronics, Ltd.

Internal control system statement

Date: March 10, 2021

According to the results of the 2020 self-evaluation of the internal control system, the Company hereby declares as follows:

I. The Company acknowledges and understand that it is the responsibility of the Board of Directors and Managerial Officers to establish, implement and maintain the internal control system and it has established such system. The purpose of such system is to reasonably ensure that the following objectives are achieved: the effectiveness and efficiency of operations (including profits, performance and safeguard of asset security), the reliability, timeliness and transparency of reporting and the compliance with applicable laws, regulations.

II. There are inherent limitations to the internal control system, no matter how it is perfectly designed. An effective internal control system can only reasonably ensure the achievement of the aforementioned 3 objectives. Moreover, the effectiveness of the internal control system may differ according to the different environments and situation. The internal control system contains self-monitoring mechanisms, the Company can take immediate corrective actions against any defects once identified.

III. The Company assesses the effectiveness of design and implementation of the internal control system based on the criteria specified in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to below as “the Regulations”). The criteria adopted by “the Regulations” divide the internal control system into five elements according to the process of control management: 1. environment control, 2. risk assessment, 3. control operation, 4. information and communication, and 5. monitoring operation. Each element is composed of several other items. Please refer to “the Regulations” for the aforementioned items

IV. The Company has assessed the effectiveness of design and implementation of the internal control system according to the aforementioned criteria.

V. Based on the results of the aforementioned assessment, the Company believed that, on December 31, 2020, the design and implementation of the internal control system (that includes the supervision and management of subsidiaries) were reasonable to ensure the objectives were achieved: the effectiveness and efficiency of operations, the reliability, timeliness, and transparency of reporting, and the compliance with applicable laws, regulations, and bylaws.

VI. This statement is an integral part of the annual report and the prospectus, and will be made public. If there is any fraud, concealment, or other illegality in the aforementioned content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

VII. This statement was approved unanimously by the Board Meeting of the Company held on March 10, 2021 where 0 of the 5attending Directors expressed dissenting opinions, and the remainder all affirmed the content of this statement.

Orient Semiconductor Electronics, Ltd.

Signature of Chairman and General Manager: Yueh-Ming Tung

2. If the Company assigned a CPA to audit its internal control system, it shall disclose the CPA audit report: none.

(X) The punishments that the Company and its internal Employees received by the laws, the punishments for its internal Employees violating the internal control system by the company, where the outcome of the penalty may have a significant impact on shareholders' equity or the price of securities, and the improvements in the most recent year and by the date of the annual report publication: none.

(XI) Material resolutions made by the Shareholders' Meetings and the Board Meetings in the most recent year and by the date of the annual report publication:

1. The General Meeting of Shareholders was held on June 18, 2020, the material resolutions and the implementation status in the meeting:

Category	The resolutions of the General Meeting of Shareholders	Implementation status
General Meeting of the Shareholders	Adoption: 1. Motion of 2019 Business Report and Financial Statements. 2. Motion of 2019 Earnings Distribution. Discussion: 1. Amendment to parts of clauses of the "Articles of Incorporation". 2. Motion of private placement of common shares to raise cash	Adoption: 1. Approval by voting. 2. Approval by voting. Discussion: 1. The motion was approved by voting. The change has been registered at the Ministry of Economic Affairs on July 6, 2020. 2. The motion was approved by voting.

2. The Extraordinary Shareholders' Meeting was held on December 3, 2020, the material resolutions and the implementation status in the meeting:

Category	Resolutions in the Extraordinary Shareholders' Meeting	Implementation status
Resolutions in the Extraordinary Shareholders' Meeting	Discussion: 1. Amendment to parts of the clauses of the "Articles of Incorporation". 2. The Company's proposal for 2020 issuance of preferred shares through a private placement. Election: 1. Election of the Company's one Director. Other proposals: 1. Release the non-competition ban of the Company's Directors.	Discussion: 1. The motion was approved by voting. The change has been registered at the Ministry of Economic Affairs on January 11, 2021. 2. The motion was approved by voting. Election: 1. The change of the elected Directors has been registered at the Ministry of Economic Affairs on January 11, 2021. Other proposals: 1. The motion was approved by voting.

3. Material resolutions in the Board Meeting:

Meeting Time	Category	Material resolutions
March 27, 2020	Board Meeting	Discussion: 1. 2019 individual and consolidated financial statements. 2. The effectiveness of the internal control system and provision of "Internal Control System" for 2019. 3. 2019 remuneration distribution for Employees and Directors. 4. 2019 earnings distribution. 5. 2020 business plan. 6. Date of 2020 General Meeting of Shareholders. 7. The first quarter of 2020 "Proposal on Bank Credit Line". 8. Loaning to OSE Phils: borrow-new-return-old proposal. 9. OSE Phils' guarantee of fixed deposits for loans. 10. Revision of some provisions of the "Articles of Incorporation." 11. Amendment to the "Audit Committee Charter". 12. Formulation of the "Ethical Corporate Management Best Practice

Meeting Time	Category	Material resolutions
		Principles". 13. Formulation of the "Board of Directors' Performance Evaluation". 14. Amendment to the "Calculation Measures for Employees' Bonus". 15. Formulation of the "Remuneration Measures for Directors and Members of Functional Committee". 16. Amendment to the "Rules Governing the Scope of Powers of Independent Directors". 17. Cancellation on Directors' travel allowances. 18. Performance bonus for the Company's Executive Officers.
May 7, 2020	Board Meeting	Discussion: 1. Formulation of the "Operational Procedures of the Internal Control System". 2. The second quarter of 2020 "Proposal on Bank Credit Line". 3. Loaning to OSE Phils: borrow-new-return-old proposal. 4. Formulation of the "Company's Self Compiling of Financial Report Plan". 5. Evaluation of 2020 CPA's independence and appropriateness. 6. To set a capital reduction base date to offset the Company's restricted Employee rights, which the Company has withdrawn. 7. Personnel. 8. Proposal on disposal of Kai-ying plant. 9. Formulation of the "Ethical Corporate Management Best Practice Principles". 10. Private placement of ordinary shares for cash capital increase. 11. Reasons for the convening of 2020 General Meeting of Shareholders have been newly added.
August 12, 2020	Board Meeting	Discussion: 1. Revision of some internal control systems and implementation details of internal audits. 2. The Company's capital loan and OSE Phils interest rate adjustment. 3. Transfer of other receivables from OSE Phils beyond the credit period to a loan of funds. 4. Loaning to OSE Phils: borrow-new-return-old proposal. 5. To set the ex-dividend date for the Company's 2019 cash dividends. 6. Proposal on 2020 second quarter earning distribution. 7. To set a capital reduction base date to offset the Company's restricted Employee rights, which the Company has withdrawn. 8. The third quarter of 2020 "Proposal on Bank Credit Line". 9. Proposal on "HR and remuneration".
October 16, 2020	Board Meeting	Discussion: 1. The resolution of the 2020 Annual General Meeting of Shareholders to increase in cash the share capital of the private placement of common shares, was not executed. 2. The Company signed an agreement on a strategic partnership with CHIPBOND TECHNOLOGY CORPORATION. 3. Amendment to parts of the clauses of the "Articles of Incorporation". 4. The Company's proposal for 2020 issuance of preferred shares through a private placement. 5. To convene the first Extraordinary Shareholders' Meeting of the Company for the year 2020. Extempore motions 1. To be elected as the Chairman of the Company. 2. Election of the Company's one Director.

Meeting Time	Category	Material resolutions
		3. Release the non-competition ban for the Company's Directors. 4. To make up the convening the first Extraordinary Shareholders' Meeting of the Company for 2020.
November 5, 2020	Board Meeting	Discussion: 1. The Company signed an agreement on a strategic partnership with CHIPBOND TECHNOLOGY CORPORATION, and is planning on amending part of the content in the agreement. 2. "List of candidates for the 17th by-election of Directors". 3. Re-release the non-competition ban of the Company's Directors. 4. To update the convening the first Extraordinary Shareholders' Meeting of the Company for 2020. 5. The reconfirmation of "Change of Chief Financial Officer and Spokesperson". 6. Proposal on Audit Office's 2021 Annual Audit schedule 7. The fourth quarter of 2020 "Proposal on Bank Credit Line". 8. Loaning to OSE Phils: borrow-new-return-old proposal. 9. Proposal on 2020 third quarter earning distribution. 10. To set a capital reduction base date to offset the Company's restricted Employee rights, which the Company has withdrawn. 11. Retiring Chairman's pension proposal.
December 3, 2020	Board Meeting	Discussion: 1. The number and price of the preferred shares to be issued in the private placement for 2020 and the base date of the capital increase. 2. The reassignment of the representative of the corporate Director of each invested company.
January 26, 2021	Board Meeting	Discussion: 1. OSE USA, INC., a wholly owned U.S. subsidiary in which the Company holds 100% of the shares, ceased its operations and cancelled its company registration. 2. Lending the Company's additional funds to OSE Phils. 3. The Company reassigned the corporate representative of the invested company.
March 10, 2021	Board Meeting	Discussion: 1. 2020 individual and consolidated financial statements. 2. The effectiveness of the internal control system and provision of "Internal Control System" for 2020. 3. 2020 Deficit Compensation Statement. 4. 2021 Business Plan. 5. Advancement of election of Directors and Independent Director s of the Company. 6. Revision of some provisions of the "Articles of Incorporation." 7. Revision of some provisions of the "Operating Procedure for Assets Acquisition and Disposal." 8. Convening of 2021 General Shareholders' Meeting. 9. The proposed change of certified public accounting firm and certified public accountant will be effective from the first quarter, 2021. 10. Evaluation of the CPA's independence and appropriateness. 11. To set a capital reduction base date to offset the Company's restricted Employee rights, which the Company has withdrawn. 12. Amendment to the "Compensation Committee Charter". 13. The first quarter of 2021 "Proposal on Bank Credit Line". 14. Loaning to OSE Phils: borrow-new-return-old proposal.

Meeting Time	Category	Material resolutions
		15. Reconfirmation of the performance bonus for the Company's executive officers in 2020. 16. Executive Officers' compensation and remuneration adjustment of this Company.
April 15, 2021	Board Meeting	Discussion: 1. The Board of Directors nominated a list of candidates for Director and Independent Director . 2. Releasing the restrictions on the new Directors' non-competition code. 3. Update on the reason of convening the 2021 Annual General Meeting of Shareholders of the Company. 4. Appointment of General Manager and his/her Compensation.

(XII) In the most recent year and by the date of the annual report publication, the material resolutions approved by the Board Meetings for which the Directors or Supervisors expressed the adverse opinion or qualified opinion with records or with written statements, and its main content: none.

(XIII) In the most recent year and by the date of the annual report publication, the resignation or dismissal of the company's key individuals including the Chairman, General Manager, Accounting Head, Chief Financial Officer, Chief Internal Auditor and R&D Supervisor :

Title	Name	Date of assumption	Date of dismissal	Reasons for the resignation or dismissal
Chairman	Edward Shaw-Yau Duh	November 8, 2016	October 16, 2020	Resignation
Chief Financial Officer	Chun-Kuan Lee	March, 14, 2002	October 16, 2020	Retirement
General Manager	Yueh-Ming Tung	August 26, 2016	April 15, 2021	Job Adjustment

V. Information of CPA fee

Name of CPA firm	Name of CPA		Audit period	Remarks
Ernst and Young Global Limited	Zhi-Zheng Chen	Cheng-Chu Chen	January 1, 2020 – December 31, 2020	—

Unit: NTD thousand

Price range \ Audit fee item		Audit fee	Non-audit fee	Total
1	Under 2,000 thousand		V	
2	2,000 thousand (included) - 4,000 thousand			
3	4,000 thousand (included) - 6,000 thousand			
4	6,000 thousand (included) - 8,000 thousand	V		V
5	8,000 thousand (included) - 10,000 thousand			
6	Above 10,000 thousand (included)			

(I) Amount of non-audit fee paid to a CPA, a CPA firm, and its affiliates is one quarter or more of the audit fee: none.
(II) Replacement of the CPA firm, and the audit fee is lesser than that of the previous year after the replacement: none.
(III) The audit fee is less than that of the previous year by 15% or more: none.

VI. Replacement of CPAs:

(I) About the former accountant.

<table>
<tr><td>Date of Change</td><td colspan="4">It was resolved in the Board Meeting on March 10, 2021.</td></tr>
<tr><td>Reason and explanation of change</td><td colspan="4">Needs of internal control.</td></tr>
<tr><td rowspan="3">Indicate whether the appointment is terminated or not accepted by the appointor or accountant</td><td colspan="2">Counterparty / Situation</td><td>Certified Public Accountant</td><td>Appointees</td></tr>
<tr><td colspan="2">Proactive termination of appointment</td><td>-</td><td>V</td></tr>
<tr><td colspan="2">No longer accepting (continuing) appointment</td><td>-</td><td>-</td></tr>
<tr><td>Opinions on audit reports issued within the last two years with any reservation and its reasons</td><td colspan="4">Not applicable</td></tr>
<tr><td rowspan="7">Any disagreement with the issuer</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting Principles or Practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of Financial Reports</td></tr>
<tr><td></td><td colspan="2">Checking the scope or steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>None</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Explanation</td></tr>
<tr><td>Other disclosures (those that shall be disclosed under paragraphs 1(4) to 1(7) of Article 10(6) of this Provision)</td><td colspan="4">None</td></tr>
</table>

(II) About the new accountant.

Name of the firm	PricewaterhouseCoopers Taiwan
Name of the Accountants	Kuo-Hua Wang and Tsai-Yen Chiang
Date of Appointment	It was resolved in the Board Meeting on March 10, 2021.
Matters and results of consultation on the accounting treatment or accounting principles for specific transactions and on the possible issuance of financial statements prior to the appointment	None
Written opinion of the successor accountant on matters which they disagreed with the predecessor accountant	None

(III) Previous accountants' responses to Article 10's paragraph 6(1) and (2)-3 of this Provision: none.

VII. The Chairman, General Manager or Managerial Officers in charge of finance or accounting served at the firms or affiliates of CPAs in the most recent one year: none

VIII. Changes in the transfer or pledge of shares by Directors, Supervisors, Managerial Officers, and Shareholders holding over 10% of the shares:

(I) Changes in the shareholdings of Directors, Supervisors, managers and major Shareholders:

Title	Name	Types of stocks	2020		As of March 30 of the current year	
			Increase (decrease) in shareholdings	Increase (decrease) in pledged shares	Increase (decrease) in shareholdings	Increase (decrease) in pledged shares
Director and concurrently serves as General Manager	Yueh-Ming Tung	Common stock	500,000	0	0	0
Director	Daphane Wu (Date of assumption of office: December 3, 2020)	Common stock	0	0	0	0
Director	PHISON ELECTRONICS CORPORATION	Common stock	0	0	0	0
Independent Director	Ching-Tien Tsai	Common stock	0	0	0	0
Independent Director	Jeng-Ren Chiou	Common stock	0	0	0	0
Senior Vice General Manager	Tzu Ming Liu	Common stock	30,000	0	0	0
Vice General Manager	Liang-Chung Wu	Common stock	18,000	0	0	0
Vice General Manager	Kuan-Tien Shen	Common stock	30,000	0	0	0
Vice General Manager (Chief Information Officer)	Chin-Chiu Wang	Common stock	24,000	0	0	0
Assistant Manager	Jia-Ming Yang (Date of assumption of office: August 3, 2020)	Common stock	24,000	0	0	0
Assistant Manager	Wen-Pin Yang	Common stock	24,000	0	0	0
Assistant Manager	Che-Kuang Liu	Common stock	24,000	0	0	0
Assistant Manager	Tse-Wen Li	Common stock	15,000	0	0	0
Assistant Manager	Min-Lang Tsai	Common stock	24,000	0	0	0

Title	Name	Types of stocks	2020		As of March 30 of the current year	
			Increase (decrease) in shareholdings	Increase (decrease) in pledged shares	Increase (decrease) in shareholdings	Increase (decrease) in pledged shares
Assistant Manager	Chen-Chung Sun	Common stock	24,000	0	0	0
Assistant Manager (CHRO)	Chen-Ling Lai	Common stock	24,000	0	0	0
Assistant Manager	Tseng-Chih Chi	Common stock	24,000	0	0	0
Assistant Manager	Hung-Tai Mai	Common stock	24,000	0	0	0
Chief Financial Officer	Simon Hung (Date of assumption of office: October 16, 2020)	Common stock	9,600	0	300	0
Head of Accounting	Shu-Yung Chu	Common stock	17,000	0	0	0
Shareholders with more than 10% of shareholding	CHIPBOND TECHNOLOGY CORPORATION (Date of assumption of office: December 17, 2020)	Common stock Preferred Shares B Preferred Shares C	163,995,498 90,090,000 180,180,000	0	0	0
Chairman	Edward Shaw-Yau Duh (Date of dismissal: October 16, 2020)	Common stock	0	0	0	0
Director	Hok-Ngang Chui (Date of dismissal: December 30, 2020)	Common stock	(10,711,948)	0	0	0
Independent Director	Philip Wei (Date of dismissal: December 9, 2020)	Common stock	0	0	0	0
Vice General Manager	Shih-Chuan Chen (Date of dismissal: July 1, 2020)	Common stock	0	0	0	0
Vice General Manager and Chief Finance Officer	Chun-Kuan Lee (Date of dismissal: October 16, 2020)	Common stock	0	0	0	0
Vice General Manager	Chun-Chieh Wang (Date of dismissal: April 1, 2020)	Common stock	0	0	0	0
Assistant Manager (Administration Supervisor)	Shu-Ling Kung (Date of dismissal: March 1, 2021)	Common stock	24,000	0	0	0

(II) If the party to whom the shares are transferred or pledged is a stakeholder, the name of the stakeholder, the relationship with the Company, Directors, Supervisors, Managers and Shareholders holding more than 10% of the shares, and the information on the transfer of shares acquired shall be disclosed:

1. Information on shares transferred:

Name	Reasons of shares transferred	Trade date	Counterparty of the transfer	Relationship between the counterparty and the Company's Directors, Supervisors, Managers and Shareholders holding more than 10 percent of the shares	Share	Transaction price
CHIPBOND TECHNOLOGY CORPORATION	Acquired	December 30, 2020	DS Fund LLC		7,864,990	11.59
	Acquired	December 30, 2020	Chinatrust Commercial Bank in custody of the investment account of KTC-TU CORPORATION.		21,333,633	11.59
	Acquired	December 30, 2020	Mega Bank in custody for investment account of KTC-SUN CORPORATION		21,333,942	11.59
	Acquired	December 30, 2020	Chang Chun Investment Co. Ltd.		5,112,243	11.59
	Acquired	December 30, 2020	Yuan Zhen Investment Co. Ltd.		589,876	11.59
	Acquired	December 30, 2020	Guang Yuan Investment Co. Ltd.		3,932,495	11.59
	Acquired	December 30, 2020	Ruentex Global Co., Ltd.		5,308,868	11.59
	Acquired	December 30, 2020	Ruentex Development Co. Ltd.		5,308,868	11.59
	Acquired	December 30, 2020	Hok-Ngang Chui		10,711,948	15.15
	Acquired	December 30, 2020	Chun-Yuan Du		13,750,000	15.15
	Acquired	December 30, 2020	Jin Xing Investment Co. Ltd.		2,183,216	15.15
	Acquired	December 30, 2020	Yuan Zhen Investment Co. Ltd.		2,564,489	15.15
	Acquired	December 30, 2020	U.S. Company KTC-SUN CORPORATION		25,226,210	15.15
	Acquired	December 30, 2020	U.S. Company KTC-TU CORPORATION		25,250,826	15.15
	Acquired	December 30, 2020	Guang Hua Venture Capital Investment Co., Ltd.		5,860,658	15.15
	Acquired	December 30, 2020	Chang Chun Investment Co. Ltd.		6,844,354	15.15
	Acquired	December 30, 2020	Yi Tai Investment Co. Ltd.		818,882	15.15

2. Shareholding pledge information: none.

IX. Information of relationship between the Company's top 10 Shareholders who are mutually stakeholders, spouses or relatives within the second degree of kinship:

Name	Personal shareholdings		Shareholdings of spouse, minor children		Shareholdings by nominee arrangement		Name and relationship between the Company's top 10 Shareholders who are mutually stakeholders, spouses or relatives within the second degree of kinship	
	Share	Proportion of shareholdings	Share	Proportion of shareholdings	Share	Proportion of shareholdings	Name	Relationship
CHIPBOND TECHNOLOGY CORPORATION	163,995,498	29.45%	0	0	0	0	None	None

Name	Personal shareholdings		Shareholdings of spouse, minor children		Shareholdings by nominee arrangement		Name and relationship between the Company's top 10 Shareholders who are mutually stakeholders, spouses or relatives within the second degree of kinship	
	Share	Proportion of shareholdings	Share	Proportion of shareholdings	Share	Proportion of shareholdings	Name	Relationship
Rui Ming Chang	10,093,000	1.81%	0	0	0	0	None	None
Huai Ren Lian	8,374,000	1.50%	0	0	0	0	None	None
PHISON ELECTRONICS CORPORATION	7,336,369	1.32%	0	0	0	0	None	None
JPMorgan Chase Bank, Taipei Branch is entrusted with the custody of the Vanguard Emerging Markets Stock Index Fund managed by the Vanguard Group.	6,664,792	1.20%	0	0	0	0	None	None
JPMorgan Chase Bank in custody for Vanguard Total International Stock Index Fund	6,328,208	1.14%	0	0	0	0	None	None
HSBC Custodian Polymers Asia Fund Limited Partnership with Merrill Lynch	5,611,000	1.01%						
Citi Bank is entrusted the custody of UBS Europe SE Investment Account	5,065,685	0.91%	0	0	0	0	None	None
JPMorgan Chase Bank in custody for investment account of NOREGS BANK	3,882,931	0.70%	0	0	0	0	None	None
Shu Ling Zeng	3,782,000	0.68%	0	0	0	0	None	None

X. The shareholdings of the same investee held by the Company, Directors, Supervisors, Managerial Officers, and the business entities directly or indirectly controlled by the company, and calculation of the consolidated proportion of shareholdings of the above categories:

Unit: shares , %

Investee (Note)	Shareholdings of the Company (1)		Shareholdings of Directors, Supervisors, Managerial Officers, and business entities directly or indirectly controlled by the Company (2)		Syndicated shareholdings (1)+(2)	
	Share	Proportion of shareholdings	Share	Proportion of shareholdings	Share	Proportion of shareholdings
OSE PHILIPPINES	Common 3,680,365	93.67%	Common 248,660	6.33%	Common 3,929,025	99.99%
OSE PROPERTIES, INC.	Common 7,998	39.99%	Common 0	0	Common 7,998	39.99%
OSE USA, INC.	Common 8,024	100.00%	Common 0	0	Common 8,024	100.00%
OSE INTERNATIONAL LTD.	Common 16,000,000	100.00%	Common 0	0	Common 16,000,000	100.00%
ATP Electronics Taiwan Inc.	Common 7,518,750	9.57%	Common 6,966,250	8.87%	Common 14,485,000	18.44%
InfoFab, Inc.	Common 822,768	13.32%	Common 795,304	12.88%	Common 1,618,072	26.20%
COREPLUS (HK) LTD.	Common 7,500,000	100.00%	Common 0	0	Common 7,500,000	100.00%

(Note): Investments accounted for using the equity method

IV. Fund raising overview

I. Capital and shares

(I) Sources of capital

April 8, 2021

Year/month	Issuance price	Authorized capital		Paid-in capital		Note		
		Share (Thousand shares)	Amount (NTD thousand)	Share (Thousand shares)	Amount (NTD thousand)	Sources of capital	Subscription of capital stock with assets other than cash	Others
April 1996	10	200,000	2,000,000	200,000	2,000,000	Capital increase by cash NT$353,213 thousand.	None	None
June 1996	10	420,000	4,200,000	261,325	2,613,250	Capital increase by the retained earnings NT$ 376,000 thousand, capital increase by the capital reserve NT$ 224,000 thousand, capital increase by the Employee bonus NT$ 13,250 thousand.	None	None
April 1997	10	420,000	4,200,000	270,949	2,709,487	Transfer of the convertible bonds to the common stock NT$96,237 thousand.	None	None
June 1997	10	526,000	5,260,000	375,899	3,758,987	Capital increase by the retained earnings NT$593,378 thousand, capital increase by the capital reserve NT$436,227 thousand, capital increase by the Employee bonus NT$ 19,895 thousand.	None	None
July 1997	10	526,000	5,260,000	407,987	4,079,867	Transfer of the convertible bonds to the common stock NT$320,880 thousand.	None	None
June 1998	10	1,000,000	10,000,000	586,876	5,868,671	Capital increase by the retained earnings NT$943,387 thousand, capital increase by the Employee bonus NT$25,618 thousand, capital increase by the capital reserve NT$ 650,172 thousand, transfer of the convertible bonds to the common stock NT$169,626 thousand.	None	None
July 1999	10	1,000,000	10,000,000	710,532	7,105,324	Capital increase by the retained earnings NT$586,867 thousand, capital increase by the capital reserve NT$586,867 thousand, transfer of the convertible bonds to the common stock NT$10,104 thousand, capital increase by the Employee bonus NT$52,815 thousand.	None	None
October 1999	10	1,000,000	10,000,000	810,532	8,105,324	Capital increase by cash NT$ 1,000,000 thousand	None	None
August 2000	10	1,400,000	14,000,000	993,143	9,931,428	Capital increase by the retained earnings NT$777,828 thousand, capital increase by the capital reserve NT$818,767 thousand, transfer of the convertible bonds to the common stock NT$160,684 thousand, capital increase by the Employee bonus NT$68,825 thousand.	None	None
June 2001	10	1,400,000	14,000,000	1,091,383	10,913,826	Capital increase by the capital reserve NT$ 982,398 thousand	None	None
September 2001	10	1,400,000	14,000,000	1,241,383	12,413,826	Issuance of the preferred stock for capital increase totaled NT$1,500,000 thousand.	None	None
January 2003	10	2,000,000	20,000,000	1,391,383	13,913,826	Issuance of the common stock for capital increase totaled NT$1,500,000 thousand at a	None	None

Year/month	Issuance price	Authorized capital		Paid-in capital		Note		
		Share (Thousand shares)	Amount (NTD thousand)	Share (Thousand shares)	Amount (NTD thousand)	Sources of capital	Subscription of capital stock with assets other than cash	Others
						discount.		
March 2003	10	2,000,000	20,000,000	1,458,259	14,582,589	Transfer of the convertible bonds to the common stock NT$668,763 thousand at a discount.	None	None
September 2003	10	2,000,000	20,000,000	1,601,043	16,010,425	Transfer of the convertible bonds to the common stock NT$1,427,836 thousand at a discount.	None	None
December 2003	10	2,000,000	20,000,000	1,590,298	15,902,975	Retirement of the treasury stock NT$107,450 thousand.	None	None
December 2003	10	2,000,000	20,000,000	1,704,902	17,049,017	Transfer of the convertible bonds to the common stock NT$1,146,042 thousand at a discount.	None	None
February 2004	10	2,000,000	20,000,000	1,734,625	17,346,245	Transfer of the convertible bonds to the common stock NT$297,228 thousand at a discount.	None	None
August 2004	10	2,000,000	20,000,000	861,714	8,617,141	Capital reduction NT$8,729,104 thousand for making up the losses	None	None
December 2005	10	2,000,000	20,000,000	876,016	8,760,158	Transfer of the convertible bonds to the common stock NT$143,017 thousand at a discount.	None	None
May 2007	10	2,000,000	20,000,000	1,056,016	10,560,158	Issuance of the common stock by the private placement for capital increase totaled NT$1,800,000 thousand at a discount.	None	None
June 2008	10	2,000,000	20,000,000	606,016	6,060,158	Capital reduction NT$4,500,000 thousand for making up the losses	None	None
September 2011	10	2,000,000	20,000,000	806,016	8,060,158	Issuance of the common stock for capital increase totaled NT$2,000,000 thousand at a discount.	None	None
September 2018	10	2,000,000	20,000,000	552,329	5,523,285	Capital reduction NT$2,536,872 thousand for making up the losses	None	None
2019/December	10	2,000,000	20,000,000	557,329	5,573,285	NT$50,000 thousand of new restricted Employee shares	None	None
July 2020	10	2,000,000	20,000,000	557,215	5,572,145	NT$1,140 thousand of restricted Employee rights share are recovered and cancelled.	None	None
September 2020	10	2,000,000	20,000,000	557,115	5,571,145	NT$1,000 thousand of restricted Employee rights share are recovered and cancelled.	None	None
December 2020	10	2,000,000	20,000,000	557,043	5,570,425	NT$720 thousand of restricted Employee rights share are recovered and cancelled.	None	None
January 2021	10	2,000,000	20,000,000	827,313	8,273,125	Cash capital increased through private placement of NT$900,900 thousand of Preferred Stock B and NT$1,801,800 thousand for Preferred Stock C. The actual subscription prices for both Preferred Stock B and Preferred Stock C were $11.10 per share.	None	None
April 2021	10	2,000,000	20,000,000	827,131	8,271,310	NT$1,815 thousand of restricted Employee rights share are recovered and cancelled.	None	None

March 30, 2021 Unit: shares

Stock Class	Authorized capital (including the convertible shares of the convertible bonds)					Note
	Outstanding shares			Unissued shares	Total	
	Listed	Unlisted	Total			
Common stock	486,076,118	70,784,915	556,861,033	1,443,138,967	2,000,000,000	None
Preference share	0	270,270,000	270,270,000	0	270,270,000	Private Placement of Preferred Shares
Total	486,076,118	70,784,915	556,861,033	1,443,138,967	2,000,000,000	None

Relevant information of shelf registration: none

(II) Structure of Shareholders

- Common stock March 30, 2021

Structure of Shareholders / Quantity	Government agencies	Financial institutions	Other legal person investors	Individual	Foreign institutions and individuals	Treasury stock	Total
Number of Persons	0	5	180	72,697	97	0	72,979
Shareholding	0	3,129,503	178,562,935	326,646,983	48,521,612	0	556,861,033
Proportion of shareholdings	0.00%	0.56%	32.07%	58.66%	8.71%	0.00%	100.00%

- Common stock March 30, 2021

Structure of Shareholders / Quantity	Government agencies	Financial institutions	Other legal person investors	Individual	Foreign institutions and individuals	Treasury stock	Total
Number of Persons	0	0	1	0	0	0	1
Shareholding	0	0	Preferred Shares B 90,090,000 Preferred Shares C 180,180,000	0	0	0	270,270,000
Proportion of shareholdings	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%

(III) Diversity of Ownership of common stock March 30, 2021

Ranking of shareholding	Number of Shareholders	Shareholding	Proportion of shareholdings%
1-999	45,246	9,792,023	1.76%
1,000-5,000	19,509	44,133,904	7.93%
5,001-10,000	3,888	30,974,179	5.56%
10,001-15,000	1,207	15,313,305	2.75%
15,001-20,000	831	15,592,942	2.80%
20,001-30,000	746	19,192,740	3.45%
30,001-40,000	358	12,892,637	2.32%
40,001-50,000	285	13,393,131	2.41%
50,001-100,000	462	33,163,777	5.96%
100,001-200,000	232	33,408,812	6.00%
200,001-400,000	113	31,260,053	5.61%
400,001-600,000	38	18,193,342	3.27%
600,001-800,000	18	12,153,495	2.18%
800,001-1,000,000	12	10,435,526	1.87%
1,000,001 shares and more	34	256,961,167	46.14%
Total	72,979	556,861,033	100.00%

Diversity of Ownership of Preferred Shares B and C March 30, 2021

Ranking of shareholding	Number of Shareholders	Shareholding	Proportion of shareholdings%
1-999	0	0	0.00%
1,000-5,000	0	0	0.00%
5,001-10,000	0	0	0.00%
10,001-15,000	0	0	0.00%
15,001-20,000	0	0	0.00%
20,001-30,000	0	0	0.00%
30,001-40,000	0	0	0.00%
40,001-50,000	0	0	0.00%
50,001-100,000	0	0	0.00%
100,001-200,000	0	0	0.00%
200,001-400,000	0	0	0.00%
400,001-600,000	0	0	0.00%
600,001-800,000	0	0	0.00%
800,001-1,000,000	0	0	0.00%
1,000,001 shares and more	1	Preferred Shares B 90,090,000 Preferred Shares C 180,180,000	100.00%
Total	1	270,270,000	100.00%

(IV) List of major Shareholders

- Common stock March 30, 2021

Shares / Name of major Shareholders	Shareholding	Proportion of shareholdings
CHIPBOND TECHNOLOGY CORPORATION	163,995,498	29.45%
Rui Ming Chang	10,093,000	1.81%
Huai Ren Lian	8,374,000	1.50%
PHISON ELECTRONICS CORPORATION	7,336,369	1.32%
JPMorgan Chase Bank, Taipei Branch is entrusted with the custody of the Vanguard Emerging Markets Stock Index Fund managed by the Vanguard Group.	6,664,792	1.20%
JPMorgan Chase Bank in custody for Vanguard Total International Stock Index Fund	6,328,208	1.14%
HSBC Custodian Polymers Asia Fund Limited Partnership with Merrill Lynch	5,611,000	1.01%
Citi Bank is entrusted the custody of UBS Europe SE Investment Account	5,065,685	0.91%
JPMorgan Chase Bank in custody for investment account of NOREGS BANK	3,882,931	0.70%
Shu Ling Zeng	3,782,000	0.68%

- Preferred shares March 30, 2021

Shares / Name of major Shareholders	Shareholding	Proportion of shareholdings
CHIPBOND TECHNOLOGY CORPORATION	Preferred Shares B 90,090,000 Preferred Shares C 180,180,000	100.00%

(V) The market price, net value, earning, dividends and relevant information in the two most recent years

Fiscal Year \ Item			2019	2020	The first quarter of 2021
Market price per share	Highest		19.45	16.10	18.40
	Lowest		11.65	8.01	14.20
	Average		15.34	12.02	16.21
Net value per share	Before distribution		10.88	10.31	Not applicable
	After distribution		10.61	(Note 1)	
EPS	Weighted average of shares		552,328,533	552,467,306	
	EPS		1.06	(0.48)	
Dividends per share	Cash dividends		0.15	0	
	Stock grant	From retained earnings	0	0	
		From capital reserve	0	0	
	Accumulated unpaid dividends for the preferred stock		0	0	
Analysis on ROI	Price to earnings ratio		14.47	(25.04)	
	Price to dividends ratio		102.27	0	
	Cash dividends yield		0.98%	0	

Note 1: Fill in according to the distribution status in the Shareholders' Meeting of the next year; there is no earnings distribution for 2020.

Note 2: Calculation formula

(1) Price to earnings ratio ＝ Average share price／EPS

(2) Price to dividend ratio ＝ Average share price／Cash dividend per share

(3) Cash dividends yield ＝ Cash dividends per share／Average share price

*If there is a surplus or additional paid-in capital to increase the capital allotment, the market price and cash dividend information adjusted retrospectively based on the number of shares to be issued shall be disclosed.

(VI) Dividends policy and implementation status

1. Dividends policy

After the Company deducts the remuneration of the Employees, the Director and the Supervisors from its income before tax, and also offsets the accumulated deficits , it should set aside the Employees bonus at 8% - 12% and the Directors and Supervisors bonus not more than 3% from the remaining income before tax.

The proportion of the remuneration distribution for the Employees, the Director and the Supervisors or the bonus distribution by cash or stock should both be decided in the Board Meeting where at least two-thirds or more of all the members of the Board of Directors should attend and more than half of the attending members should approve the motion and the resolution should be reported in the Shareholders' Meeting as well.

The Employees of parent or subsidiaries who receive the remuneration in the form of cash or stock should meet certain requirements.

If there are any retained earnings upon the general final accounts at the end of the year, they will be used for the payment of all payable taxes and offsetting the accumulated deficits in the previous years and 10% of the remainder will be contributed as a legal reserve and a special reserve should be provided or reversed according to the laws or as requested by the competent authority, the balance and the undistributed accumulated earnings for the previous years, which are identified as distributable earnings, and the motion for the distribution should be proposed by the Board of

Director and submitted to the Shareholders' Meeting for the resolution.

As the Company operates in a volatile business environment, the enterprise life cycle is in the growth stage, and to take into consideration the Company's capital demand in the future, long-term financial plan and to satisfy the Shareholders' cash flow. 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.

2. The dividends distribution policy proposed to the current General Meeting of the Shareholders: none.
3. Any expected material changes in the dividends policy: None

(VII) Impacts of the stock grants proposed by the current Shareholders Meeting on the Company's operations and EPS: Not applicable.

(VIII) Remuneration for Employees, Directors and Supervisors:

1. The percentage or range of remuneration for Employees, Directors and Supervisors in the Articles of Incorporation:
   Please refer to the dividends policy on page 54.
2. Bases for estimating the remuneration for the Employees, Directors and Supervisors of the period, bases for calculating the compensation in stock for the Employees, and accounting solution for variation between actually distributed amount and estimated amount: none.
3. Information on the adoption of the remuneration distribution by the Board of Directors:
   (1) The amount of the remuneration distributed in cash or stock for the Employees, Directors and Supervisors. If there is variation between that amount and the estimated amount for the fiscal year, disclose the variation amount, causes, and settlement of variation:none.
   (2) The proportion of the amount of the remuneration distributed in stock for the Employees in the net income after tax in the individual financial statement of the period and the total amount of the remuneration for the Employees: Not applicable.
4. If there is variation in the actual status of remuneration (including number of shares, amount, and stock price) distributed to the Employees, Directors, and Supervisors in the previous year, state the variation amount, causes, and settlement of variation.
   (1) Remuneration for the Employees: No difference.
   (2) Remuneration for the Directors and Supervisors: No difference.

(IX) Status of shares buyback: none.

II. Status of corporate bonds: none.

III. Status of preferred shares

April 15, 2021

<table>
<tr><th colspan="2">Issue (Processing) Date (Note 2)
Items</th><th>December 3, 2020
Private Placement of Preferred Shares B (Note 3)</th><th>December 3, 2020
Private Placement of Preferred Shares C (Note 3)</th></tr>
<tr><td colspan="2">Face value</td><td>NT$10 per share</td><td>NT$10 per share</td></tr>
<tr><td colspan="2">Issuance Price</td><td>NT$11.10 per share</td><td>NT$11.10 per share</td></tr>
<tr><td colspan="2">Number of Shares</td><td>90,090,000 Shares</td><td>180,180,000 Shares</td></tr>
<tr><td colspan="2">Total amount</td><td>NT$900,900,000</td><td>NT$1,801,800,000</td></tr>
<tr><td rowspan="4">Rights and obligations</td><td>Distribution of dividends and bonus</td><td>Interest rate 2% per annum (cumulative)</td><td>Interest rate 2% per annum (non-cumulative)</td></tr>
<tr><td>Distribution of the remaining property</td><td>Preferred Shares B has priority over common shares and Preferred Shares C, to the extent that each share does not exceed the issue price plus the total amount of dividends payable.</td><td>Preferred Shares C has priority over common shares but not Preferred Shares B, to the extent that each share does not exceed the issue price plus the total amount of dividends payable.</td></tr>
<tr><td>Exercise of voting rights</td><td colspan="2">No voting rights and no election rights for the common Shareholders' Meeting.</td></tr>
<tr><td>Others</td><td>None</td><td>None</td></tr>
<tr><td rowspan="2">Preference share Outstanding</td><td>Recovered or transferred numbers of shares</td><td>0</td><td>0</td></tr>
<tr><td>Unrecovered shares or the remaining of transferred shares</td><td>90,090,000 Shares</td><td>180,180,000 Shares</td></tr>
</table>

	Clause on recovery and transfer of shares		1. The issuance period for Preferred Shares B is five years. Holders of Preferred Shares B do not have the right to demand early redemption on Preferred Shares B. However, the Company may redeem all or part of the Preferred Shares B at their original issue price at any time after three years from the date of issuance, by cash or other methods permitted by laws and regulations. 2. If the Company is unable to recover all or a part of the Preferred Shares B due to force majeure or circumstances not attributable to the Company after the expiration of the Preferred Share B issuance period, the rights of the Preferred Shares B that have not been recovered shall continue to be exercised in accordance with the conditions of issuance set forth in the preceding paragraph.	1. Holders of Preferred Share C may, after five years since the issuance date, be converted into common stock at the ratio of one preferred share to one common stock (conversion ratio 1:1). The rights and obligations (except for conversion restrictions and unlisted shares prescribed by laws and regulations) of the converted common stock from Preferred Share C are the same as the Company's other issued common stock. 2. There is no expiration date for Preferred Share C. Holders of Preferred Share C do not have the right to demand redemption of Preferred Share C or demand the Company for an early conversion of preferred shares to common stock. However, the Company may redeem all or part of the Preferred Share C at their original issue price at any time after three years from the date of issuance, by cash, mandatory conversion of new issue of shares or other methods permitted by laws and regulations.
2020		Maximum	This issue of preferred shares is not yet outstanding in the market and is therefore not applicable.	
		Minimum		
		Average		
As of March 30, 2021 (Note 4)		Maximum		
		Minimum		
		Average		
Other equity	Amount of shares converted or subscribed as of the printing date of the annual report		Years left before conversion date.	
	Methods on issuance and conversion or stock option		Same as the foregoing recovery or conversion terms.	
Effect of issue conditions on the interests of Preferred Shareholders, possible dilution of shareholdings and effect on the interests of existing Shareholders			None. The Preferred Shares B may not be converted into common stock, and the Preferred Stock C shall not be converted into common stock until dividends from the Preferred Shares B and C are distributed in preference to dividends of the common stock. If the Preferred Shares C is converted into common stock, the earnings per share and voting rights of common stock holders will be diluted, depending on the number of shares converted to common stock, but the dilution of earnings per share will be limited and shall not have a significant impact on Shareholders' equity.	

Note 1: Preferred shares include public and private placement preferred shares in process. Publicly traded preferred shares are those that have been validated (approved) by the Shareholders' Meeting; privately placed preferred shares are those that have been approved by the Board Meeting.
Note 2: The number of columns are adjusted according to the actual number.
Note 3: Private placements shall be marked in a prominent manner.
Note 4: Current year information as of the printing date of the annual report shall be included.

IV. Status of global depositary receipts: none
V. Status of Employee stock option plan: none

六、 Status on restricting Employees from applying new shares

(I) The process of new restricted Employee shares April 15, 2021

Types of new restricted Employee shares	First new restricted Employee shares
Filing Effective Date	June 10, 2019
Giving Date	November 25, 2019
Date of Issuance	December 30, 2019
New restricted Employee shares issued	5,000,000 shares
Issuance price	NT$10 per share (bonus shares)
New restricted Employee shares issued to the total number of shares issued at the time of issuance	0.91%
Vesting conditions for new restricted Employee shares	1. The Company will use the standalone financial statements of the most recent year when the vesting term expires as the Company's performance conditions: (1). First year: EPS reaching NT$0.3 (inclusive) or more (2). Second year: EPS reaching NT$0.8 (inclusive) or more (3). Third year: EPS reaching NT$1.0 (inclusive) or more (4). If the performance conditions mentioned above are not reached, it is deemed that the vested conditions have not been met 2. After the personal performance and the Company's performance have been reached at the same time, Employees' share proportion for vesting conditions according to their service terms for the year is as follows: (1). After distribution and the term of service has reached one year, 30% of shares (2). After distribution and the term of service has reached two years, 30% of shares (3). After distribution and the term of service has reached three years, 40% of shares
Restricted rights for new restricted Employee shares	(I) The new restricted Employee shares issued by the Company shall be safeguarded by an entrusted trust institution assigned by the Company after Employees receive the distribution. Employees may not ask the trustee to return new restricted Employee shares for any reason or method. (II) Before reaching vested conditions, Employees may not sell, pledge, transfer, gift to others, set or other method to dispose of their shares. (III) Before reaching vested conditions, the attending, proposals, speeches, voting rights, voting rights, and other matters in connection with Shareholders' rights and interests of the Shareholders' meeting are executed in accordance with custody contract made with the entrusted institution. (IV) Restrictions on shareholder's rights to (subscribe) shares and dividends: Before reaching the vested conditions prescribed by the measures for new restricted Employee shares, Employees have no right to participate in the original shareholder's rights to (subscribe) shares and dividends. (V) Employees reaching vested conditions during the book closure date for issuance of bonus shares, book closure date for cash dividends, the subscription of new shares resulting from a cash capital increase, matters of closure date for Shareholders meeting specified in Article 165, paragraph 3 of the Company Act, or other book closure period of the record date for distribution of entitlements, their lifted restricted shares may not enjoy the rights of

Types of new restricted Employee shares	First new restricted Employee shares
	subscriptions for the shares and dividends.
The custody of new restricted Employee shares:	When entrusting a trust for custody, the exercise of Shareholders' rights during the trust period shall be enforced according to the custody contract.
Method for handling with Employees who have not reached the vested conditions after being allocated or subscribed for new shares	If the vested conditions for performance before the end of the period are not met, new restricted Employee shares received according to the issuance measures will be returned to the Company and cancelled.
New restricted Employee shares returned or bought back	467,500 shares
Number of new restricted Employee shares lifted	1,407,000 shares
Number of new restricted Employee shares not lifted	3,125,500 shares
Number of new restricted Employee shares not lifted to the total number of shares issued (%)	62.51%
Impact on the Shareholders' equity	The dilution of earnings per share of the Company during the vesting period is still limited and should pose no significant impact on Shareholders' equity.

VII. Status of new share issuance relating to the merger, acquisition, and transfer of shares: none

VIII. Implementation status of capital utilization plan : none.

V. Operation Overview

I. Business content

(I)Business scope

1. Business scope of the Company includes:

(1) Integrated circuit and semiconductor parts

(2) Electronic, computer, communication circuit Boards

(3) Hardware, software, system, and peripheral equipment of computer and communication products.

(4) R&D, design, manufacturing, assembly, processing, testing and after-sale services for all the aforementioned products.

(5) Import and export business (except special approval business)

2. Proportion of operations

Product item	proportion of operations (%)
	2020
Plastic integrated circuit	58.96
EMS	41.04
Total	100.00

3. The current products(services) of the Company and the new products(services) we plan to develop:

(1) IC packaging and testing services

The items of services include: Packaging and testing services for IC and semiconductor parts.

(2) Electronics manufacturing services (EMS/CEM)

The items of services include: PCB Assembly, Box build and System integration, and the Company also provides the customers with Prototype and Pilot run services to advance the products introduction.

(II) Current status of the industry

1. Current status and development of the industry

Semiconductor Group

(1) NAND Flash:

In early 2020, the Company continued its strategy on supplying NAND Flash to high unit price servers in the second half of 2019, which led to a continuous increase in NAND Flash prices. However, the global outbreak of the coronavirus (COVID-19) in March 2020 caused border controls and even city lockdowns in various countries, dampening demand and slowed supply, causing NAND Flash prices to continue to decline. The mainstream capacity 256Gb TLC fell nearly a dollar in 2020, or about 24%.

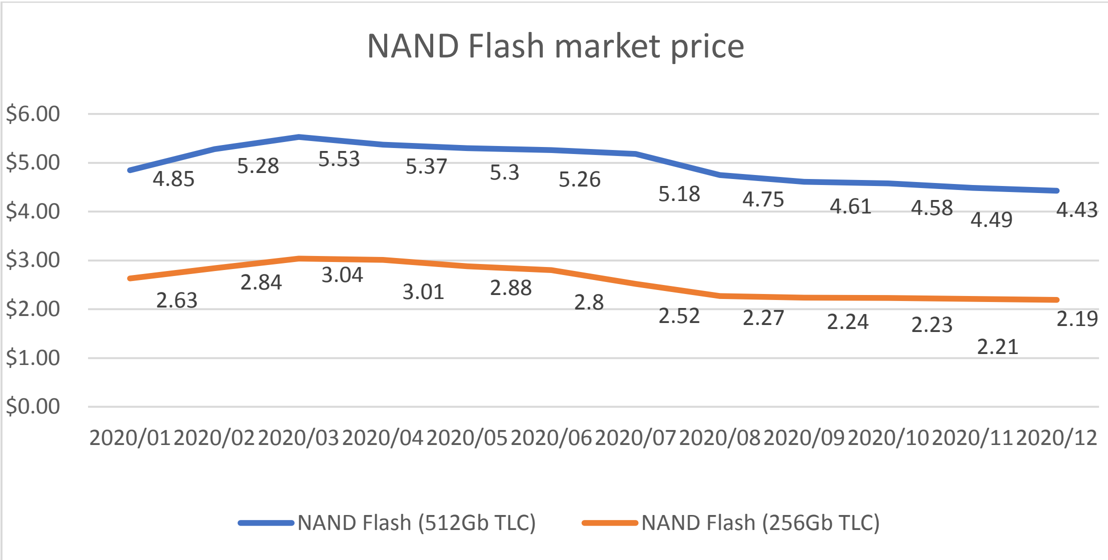

Figure 1 (Flash price index trend)

With the mass production of 3D NAND Flash with more than 100 layers by each original manufacturer, the supply of NAND Flash will increase significantly in 2021. With the server customers who raised the price of NAND Flash in 2019 still depleting their inventory in 2021, the price of NAND Flash is expected to continue to drop in the first half of 2021. Although the global outbreak of the coronavirus (COVID-19) did not slow down at the beginning of 2021, due to the introduction of the vaccine and the successive arrangements for vaccination in various countries, as well as the continuous supply of NAND Flash from the original manufacturers, it is expected that smartphones and SSDs will break away from the negative growth of 2020 in 2021, and the overall market demand will grow by 6-8% compared to 2020. SSDs are expected to grow by more than 50% of the demand in 2021 as compared to 2019, due to the work-at-home and study lifestyle caused by the pandemic. Overall, although the price of NAND Flash will continue to fall in 2021, the supply will increase and the packaging industry will have a chance to achieve the prosperity of 2019 in 2021.

NAND Flash itself has the advantages of being small, light weight and low power consumption, making Notebooks and other products abandon the use of traditional hard drives and use SSDs as storage devices instead. The load factor for Notebooks will increase by 5% to more than 85%, comparing to the products in 2020, while the PC segment will increase by 6% to more than 42%, and with the new lifestyles caused by the 2020 pandemic, the demand for SSDs will continue to grow. According to the statistical results of IEK (as Figure 2), SSD accounts for48.36% in the overall Flash application, compared to 2019 it increased by 4.46%. The demand for Flash BGAs will continue to be driven by factors such as the continued surge in demand for AI systems and big data management in 2021, in addition to the demand for the stay-at-home economy effect brought about by the epidemic situation.

For the mobile phone memory (eMMC/eMCP/eUFS) segment, in 2020, due to the slowdown in economic activities caused by COVID-19 that locked down cities in various countries, the IEK's statistics showed that the proportion of NAND Flash applications in mobile phone memory declined from 36.9% in 2019 to 33.34% in 2020. However, the continued recovery of economic activity in 2021 as the pandemic is expected to subside, coupled with the Apple’s iPhone boom at the end of 2020 and the increased launch of 5G phones by major mobile phone providers such as Samsung, will continue to drive up the demand for eUFS. The eMMC segment is also expected to continue to grow due to the rising demand for smart white goods, so that eMMC demand will not decrease due to the switch to eUFS in cell phones, but rather global demand is expected to grow by more than 16% compared to 2020.

For the memory card segment, NAND Flash supply continued to be dominated by high-margin SSDs in 2020, and the impact of the global spread of the pandemic caused the entire memory card share of NAND Flash applications to continue to decline from 4.5% in 2019 to 3.48% in 2020. The share of memory cards is expected to increase slightly in 2021 due to the increasing yield of 3D NAND and the slowdown of the pandemic.

The unmanned driving is a key point for automobile development, and the sensor, radar, AI, navigation, traffic performance analysis, multimedia entertainment and computing platform have transformed the automobile into a mobile data center. The NAND Flash enjoys the advantages of high efficiency, reliability, stability, and durability, it will become the best choice for the storage in the automobile industry. However, in 2019, with the uncertainty of the trade war between China and the U.S. and the traffic disruption caused by the pandemic in 2020, the cars did not sell as expected, causing the automotive memory segment to decline to only 0.73%%. The Company anticipates that it will become the top three applications among the NAND Flash applications in the coming 10 years.

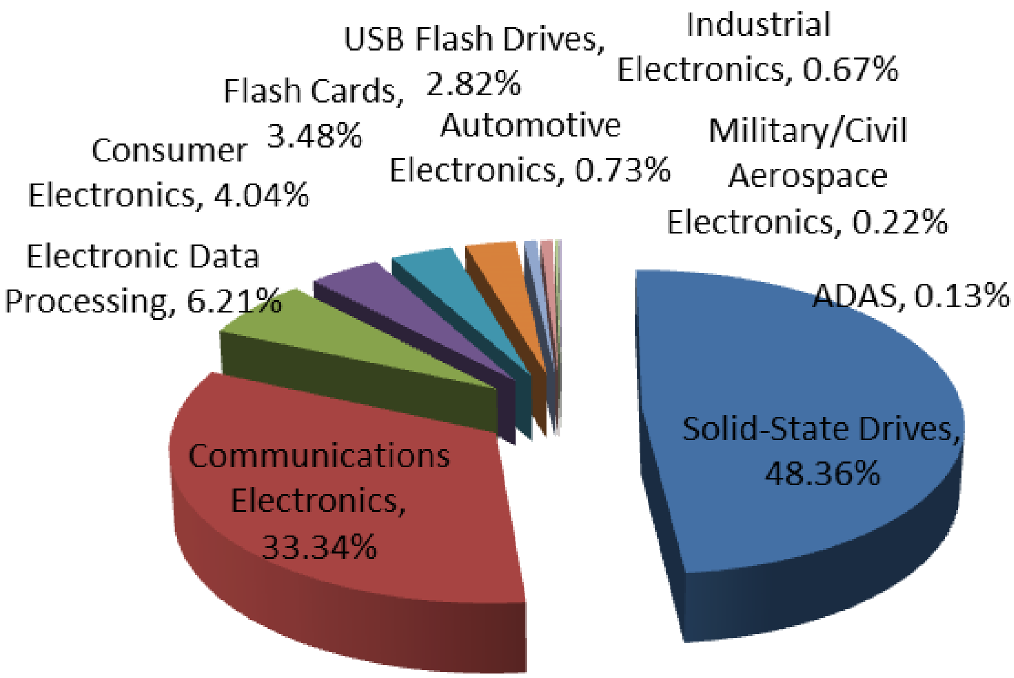

Figure 2 (proportion of Flash applications)

(2) For other IC:

According to a recent study by IEK, in the first half of 2020, the overall revenue performance in the first half of the year was dragged down by factors such as the trade conflict between the U.S. and China and the novel coronavirus (COVID-19), but from the second half of the year onward, in addition to the traditional peak season, and the demand for housing economy generated by the epidemic effect, the overall packaging and testing industry in Taiwan showed explosive growth. The overall packaging and testing industry in Taiwan is experiencing explosive growth. Although the overall performance of 2020 showed a recession in the first half of the year, due to the pandemic and the impact of trade between China and the US, the overall performance grew thanks to the influence of stay-at-home economy. The global semiconductor market was US $426 billion in 2020, with performance up about 3.3% compared to 2019. The IEK study also points out that in 2021, global semiconductor production will reach US$452.3 billion, a growth of about 6.2%, driven by 5G products, automotive electronics, AI and IoT, the new U.S. General Manager and the slowdown of the outbreak of coronavirus (COVID-19). The global outbreak of the COVID-19 in 2020 caused a halt to global economic and industrial activities, but Taiwan maintained somewhat normal operations due to the pandemic prevention activities, and more than 90% of the production of Taiwan's semiconductor industry is located in Taiwan, with only 1% in the overseas. In addition, the ban on Huawei's product pulling and the increased demand for high-speed chips for 5G, AI and IOT led to a 20.7% increase in Taiwan's overall semiconductor production in 2020, compared to 3.5% of growth in 2019.

Electronics manufacturing services (EMS) Group

(1) For SSD cards:

Market demand slowed down in 2020 due to the coronavirus (COVID-19), but demand will increase again in 2021.

(2) For petroleum exploration:

With oil prices continuing to decline, negotiation between Saudi Arabia and Russia on production cuts have failed, affecting the oil and natural gas market. The most serious is still the impact of the coronavirus (COVID-19) , which has significantly reduced energy demand and lowered overall energy demand estimates, hence the conservative performance of 2020 and moderate forecasts for 2021.

(3) For servers:

The digitalization of enterprises is one of the key elements to enhance competitiveness. The artificial intelligence of the Internet of Things (AIoT) and 5G mobile broadband will have an increasingly large demand for data processing, resulting in year-on-year growth in demand for computing servers. With enterprise users became more conservative in the second half of 2020, and demand picked up at the end of the year, customer orders are gradually increasing.

2. Relationship of upstream, midstream, and downstream in the Industry

The key parts of flash memory cards include flash memory and memory controller. The Company can support all the products produced by the top five global flash memory suppliers currently, we also have built the direct communication channels with some flash memory suppliers, we can understand the current situation of the flash memory in the market and its technology development in the future by communicating with them directly.

In 2019, the Company has successfully introduced the Changjiang Storage chips in mainland China into mass production through collaboration with major customers. In terms of chip control, the Company has close cooperation with domestic and foreign chip control manufacturers with cost advantages and powerful functions, so the Company has certain advantages in terms of quality, cost and customer support.

3. Trends and competition situation of products

The Company continues to focus on repositioning the market and revamping the internal organization to create the core value of the Company, and to deepen the flash memory packaging niche market. For future prospect, the Company will continue utilizing the following competitive advantages to satisfy the quality, capacity, and cost necessary for the packaging market of flash memory.

(1) Technique integration and quality yield rate:

It is necessary not only to apply FEOL of packaging to memory cards, but also to apply SMT manufacturing process to them. The Company has the technique and production capacity of the packaging for semiconductor and the assembly for the electronics, we can finish manufacturing the products rapidly. Furthermore, the Company adopts one-stop production service, so the Company enjoys advantage on controlling of the quality yield rate relatively.

(2) Complete supply chain lowers the material cost constantly:

The Company continues looking for the cost-effective materials and manufacturing process via bilateral cooperation by working together with suppliers of related materials to form a comprehensive supply chain.

(3)Complete flash memory supply chain:

In terms of flash memory cards, the key parts of flash memory cards include flash memory and memory controller. The Company irregularly discusses with the top five global flash memory suppliers and memory controller suppliers about the future trends of the products, and it also regularly discusses with the related memory controller suppliers about the relevant techniques.

(4)Complete products development team:

The Company will continue to investment on software and hardware of product development, while at the same time assisting in flash memory-related customers to conduct the electrical and thermal analysis and help them develop the relevant customized products.

(III) Current status of technology and R&D

1. R&D expenses invested

Unit: NTD thousand

Item \ Fiscal Year	2019	2020	The first quarter of 2021
R&D expenses	278,307	267,325	74,530
Operating revenue	17,515,145	13,851,909	3,788,896
R&D expenses as a percentage of revenue	1.59%	1.93%	1.97%

2. Technologies or products developed successfully

◆ Semiconductor Group

(1) The 0.6 mil wire was successfully introduced.

(2) Complete validating eUFS 3.1.

◆ Electronics manufacturing services (EMS) Group

(1) Cooperate with the government policy and direction (national aircraft and national manufacturing), join the national team, and successfully cooperate to complete the mission of satellite launch.

(2) The technique of manufacturing process over IPC class 3 for manufacturing standard regulation enters the mass production stage, and is applied to the petroleum exploration, aerospace and military defense and so on.

(3) Automation for SSD production line, the development of the robot technology and its application.

(IV) Long-term and short-term business plans

1. Short-term business plan:

Semiconductor Group: The short-term business plan will mainly focus on constant further development for the customer relationship, creating strategic partners, utilizing the current resources completely, strengthening the reduction of cost and select the niche market with caution. The main competitive products are lead frame products (QFN), CSP products, Flash, and LPDDR-related products.

Regarding Electronic Manufacturing Services (EMS), there are three focus areas: (1) SSD cards, (2) special electronic products whose manufacturing standard regulation exceeds IPC-610 Class 3, which is applied to the medical, aerospace and other special fields, and (3) other niche products or future star products like Netcom, AOIT and e-sports.

2. Long-term business plan:

The long-term business plan will focus on continuing development on the niche products (like photoelectric and wireless communication products) in combination with the technique of the semiconductor packaging, testing and electronic assembly, and strengthening the relationship with the customers to bring more profits.

II. Market, production, and sales overview

(I) Market analysis

1. Sales regions of major products (services)

Unit: NTD thousand

Fiscal Year / Area		2019 Sales amount	2019 %	2020 Sales amount	2020 %
Foreign sales	America	3,766,910	21.51	3,270,272	23.61
	China	2,254,742	12.87	1,705,946	12.32
	Others	5,493,230	31.36	2,872,666	20.73
Sub-total		11,514,882	65.74	7,848,884	56.66
Domestic sales		6,000,263	34.26	6,003,025	43.34
Total		17,515,145	100.00	13,851,909	100.00

2. Market share

Unit: NTD 100 million

Industry category	Fiscal Year	OSE packaging revenue	Output value of packaging industry in Taiwan	Market share
IC packaging	2018	77.48	3,445	2.25%
	108	98.00	3,463	2.83%
	109	75.87	3,775	2.01%

Source: TSIA; Institute of Industrial Technology Research Institute IEK (February2021). .

3. Demand, supply, and growth status in the future

◆ Semiconductor Group

The future growth of the semiconductor will still be driven by the mobile communication. In addition, the automotive electronics, 5G and AI will also blow up continually. Due to the market and product adjustments in previous years, and the active development of Internet of Things (IOT) related products and markets in 2016, the Company was able to successfully transform maintain continued growth, and also successfully introduced LPDDR related products in 2018. In the future, the Company will continue to develop products and markets related to the Internet of Things and LPDDR. In addition to the emerging markets in China and ASEAN countries, the Company will leverage its rapid integration and R&D capabilities to expand the business into the optoelectronics, AI and wireless communications industries.

◆ Electronics manufacturing services (EMS) Group

The major growth in the future for the Company's Electronics Manufacturing Services Group mainly comes from three major product lines:

(1) Continued demand of SSD cards.

(2) Increase of the high-end class 3 technology, allowing extensive production application range.

(3) The enterprise digitalization results in the increase of data or materials. In addition, the increase of data is also driven by IoT, 5G mobile broadband services, improvement of AI technique and application, the accumulated data will become bigger and bigger, which results in the growing demand for computing servers year by year.

4. Niche for competition:

(1) Rapid integration and complete R&D team.

(2) Combine with packaging, testing and SMT technology to create the synergy.

(3) Construct the highly integrated MIS to become the customer's “virtual factory.”

(4) The excellent NPI services optimize the design complying with the production to lower the cost for the customers in the early stage of the product development.

(5) The strict and careful management for the materials and work-in-process inventory lowers the inventory risk for the customers.

5. Advantages, disadvantages, and responsive strategy in the long-term development

◆ Advantages

(1) The big companies of device integration will increase the proportion of outsourcing constantly to drive the demand for the packaging and testing.

(2) The international packaging companies conduct the merger continually, so the customers look for other packaging companies for the cooperation.

(3) The global original equipment manufacturers focus on the core abilities like the brand and R&D, and outsource the manufacturing for the products.

(4) The demand for mobile communication products continue increasing, which cause the demand for the key peripherals to grow as well.

(5) The strong demand for the server motherboard, SIP module, PDA, smartphone assembly Board and the products for the leading companies in the niche market will drive the demand for packaging, testing and EMS in the market.

(6) The introduction of OLPC will drive the demand for flash memory.

(7) The development of IoT and smart home causes the related products to become the mainstream in the coming five years, driving the growth of the entire semiconductor industry.

(8) The construction of 5G communication is about to be finished, so there will be a machine-replacing wave and the demand for semiconductor will increase day by day.

◆ Disadvantages

(1) The products life cycle becomes shorter and the functions get more complicated day by day, it is not easy to get back the return on investment on the machines and equipment.

(2) The competition of the price and the increase of the materials cost cause the margin pressure.

(3) In response to the rapid drop for the price of the electronic products, many customers find the low manufacturing cost solutions in China, so many Taiwanese products in the mid and low price range are no longer competitive because of the manufacturing cost

◆ Responsive strategy

(1) Controlling the cost strictly and decreasing the expenditures.

(2) Taking advantage of R&D ability to enter the niche market and build the threshold for new technologies.

(3) Making good use of the decision-making for the investments in manufacturing equipment and fixed assets to maximize the marginal effect.

(4) Utilizing the effect of flextime to provide the accurate real-time production information, services for products technologies and knowledge.

(5) Using the technology for multiple layer stacking, so the customers can acquire the memory cards with low cost and high price.

(6) Bringing out the functionality and the flexibility of the logistics management for the supply chain and strengthen the partnership with the suppliers.

(7) The strict and careful management for the material inventory to lower the materials inventory risk.

(8) Using the local materials in Taiwan or look for the alternative materials for spreading the risks.

(9) For the parts in short supply in the market, forecasting the production quantity in advance, and the Company is devoted to maintaining our relationship with the suppliers as well.

(II) Important uses and production process of major products

1. Important uses of major products

- Semiconductor Group

  The major product is IC device packaging which is applied to the computer, communication, network, consumer electronics, telecommunication internet, industrial controller, digital camera, and so on.

- Electronics manufacturing services (EMS) Group

  It provides the professional electronics manufacturing services (EMS), the OEM products is mainly applied to the servers, SIP modules, instruments and large industrial equipment, storage systems, petroleum exploration, and satellite-related uses.

2. Production process of major products

(1) Production process of packaging products

Die sawing→ Die bonding→ Wire bonding→ Molding→ Marking→ Trimming→ Testing→ Packaging

(2) Production process of electronic products

Parts processing→ SMT assembly → Parts insertion → Auto-soldering→ Auto-cleaning and drying→ Testing→ Case assembly→ Testing→ Packaging→ Shipping

(III) Supply status of major materials

Major material’s details	Supply source
PCB	Taiwan
Connector	China
AU wire	Korea
Compound	China, Japan, Taiwan
Lead frame	Taiwan
Substrate	China, Taiwan

(IV) Major purchases and sales customer lists in the last two years

1. The supplier code, sales amount, and proportion of sales which accounted for at least 10% of the total sales amount in any of the past two years and the reasons for the increase or decrease:

Unit: NTD thousand

2019				2020				The first quarter of 2021			
Name	Amount	Proportion in annual net sales 〔%〕	Relationship with the issuer	Name	Amount	Proportion in annual net sales 〔%〕	Relationship with the issuer	Name	Amount	Proportion in current year's net sales up to the last quarter 〔%〕	Relationship with the issuer
Company A	4,535,396	25.89	None	Company A	3,985,770	28.77	None	Company B	772,608	20.79	None
Company B	4,288,955	24.49	None	Company B	2,894,881	20.90	None	Company A	703,486	18.93	None
Company C	2,332,055	13.32	Yes	Company C	1,760,738	12.71	Yes	Company C	510,358	13.74	Yes
Others	6,358,739	36.30		Others	5,210,520	37.62		Others	1,728,936	46.54	
Net sales	17,515,145	100.00		Net sales	13,851,909	100.00		Net sales	3,715,388	100.00	

According to the analysis of the sales materials for the major customer in the past two years, there is no significant change in the proportion of sales, which indicates that the relationship between the Company and the customers is very stable. Overall, the sales customers of the Company are scattered, so there is no risk for the sales concentration and other abnormal situations.

2. The vendor code, purchase amount, and proportion of purchase which accounted for at least 10% of the total net purchase amount in any of the past two years and the reasons for the increase or decrease:

Unit: NTD thousand

2019				2020				The first quarter of 2021			
Name	Amount	Proportion in annual net purchase 〔%〕	Relationship with the issuer	Name	Amount	Proportion in annual net purchase 〔%〕	Relationship with the issuer	Name	Amount	Proportion in current year's net purchase up to the last quarter 〔%〕	Relationship with the issuer
Company a	2,834,420	31.26	None	Company a	2,447,963	31.99	None	Company a	468,283	23.44	None
				Company b	799,058	10.44	None	Company b	327,941	16.42	None
Others	6,233,498	68.74	None	Others	4,405,750	57.57		Others	1,201,502	60.14	
Net purchase	9,067,918	100.00		Net purchase	7,652,771	100.00		Net purchase	1,997,726	100.00	

Both of the Company's Semiconductor Group and EMS Group belong to the foundry without the own brands, the raw materials are mostly standardized products and it has many suppliers for the raw materials so it does not need to concern about the shortage. The Company will consider the quality and the price first when purchasing unless the customers designate the suppliers. According to the overall purchase proportion, there is no risk for the excessive concentration. Besides, the Company keeps close relationship for the strategic cooperation with the major suppliers and the source of supply is more than two companies at any time. In general, the supply status is stable and there is no abnormal situation.

(V) Production volume and value in the past two years

Unit: thousand pieces / NTD thousand

Year	2019			2020		
Production volume and value / Major product	Capacity	Volume	Value	Capacity	Volume	Value
Plastic integrated circuit	1,581,322	1,081,855	8,314,763	1,564,262	949,202	6,998,040
EMS	130,372	101,590	6,633,780	124,027	79,493	4,527,306
Others	794,392	439,057	563,998	794,392	422,860	487,739
Total	2,493,128	1,622,502	15,512,541	2,482,681	1,451,525	12,013,085

(VI) Sales volume and value in the past two years

Unit: thousand pieces / NTD thousand

Year	2019				2020			
Sales volume and value / Major product	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Plastic integrated circuit	635,957	5,067,398	453,758	4,732,251	601,692	4,546,823	355,654	3,040,066
EMS	17,053	295,926	90,127	4,800,520	14,718	950,902	65,068	3,940,434
Others	257,096	636,939	233,875	1,982,111	267,736	505,300	174,431	868,384
Total	910,106	6,000,263	777,760	11,514,882	884,146	6,003,025	595,153	7,848,884

III. Profile of Employees

Fiscal Year / Employee		2019	2020	Up to March 31 of the current year
Number of Employees	Direct	4,420	3,586	3,472
	Indirect	2,337	1,982	1,972
	Total	6,757	5,568	5,444
Average age		34.58	34.91	36.97
Average seniority		6.80	8.6	8.1
Education distribution %	Doctor	0.00%	0.00%	0.00%
	Master	3.58%	4.08%	4.28%
	University/College	59.88%	63.54%	63.83%
	Senior high school	29.16%	28.63%	28.16%
	Less than Senior high school	7.38%	3.75%	3.73%

IV. Environmental protection expenditure

(I) Losses suffered from environmental pollution in the most recent year and as of the printing date of the annual report (including compensation and environmental protection audit results of violations of environmental protection laws and regulations, the date of the penalty, the number of the penalty received, the provisions of the law violated, the content of the law violated, and the content of the penalty should be listed), and disclose the estimated amount and the total amount of measures and penalties that may occur at present and in the future: None, the Company has not suffered any losses or penalties from environmental pollution in the past two years.

(II) Future countermeasures (including improvement actions) and possible expenditure: The investment on the maintenance and renewal for the pollution treatment equipment in each factory is about NT$6 million.

(III) Countermeasures for RoHS 2.0 of EU:

In response to the implementation for RoHS 2.0 of EU, the Company have actively conducted all the transformation works since several years. The Company currently has finished constructing the management system for RoHS 2.0 and gained the certification from the international famous enterprises, so it can fully provide the customers with the products complying with RoHS 2.0.

V. Labor relations

(I) The measures of Employee welfare, retirement system and its implementation status, and labor-management agreements:

1. The measures of Employee welfare:

OSE considers the talents to be the most valuable assets for the enterprises, the Company will review the supply/demand status for the talents market and remuneration to provide the remuneration appropriate to the value of the talents, and it will also distribute the incentive bonus and performance bonus based on company's operating performance to achieve the purpose of encouragement and talents retention.

(1) Establish the Employee Welfare Committee to implement all the welfare measures for the Employees.
(2) If the Employee is dead, disabled, injured or sick due to the occupational accidents, he will be compensated according to the regulation regarding the compensation for accidents in the Labor Standards Act.
(3) Establish the Occupational Safety and Health Committee and management unit to be in charge of the matters of the occupational safety, health and the Employee medical checkup.
(4) Implement the Employee education training to increase the professional knowledge for the Employees so they can be devoted to their works.
(5) Provide all kinds of subsidies for the marriage, death, hospitalization, child birth.
(6) Employee restaurant provides the meals with convenience, health, nutrition and low price.
(7) Provide the work environment with safety, comfort and clean.
(8) The Employees can apply for an unpaid military leave or an unpaid parental leave.
(9) The Company implements the corporate medical insurance and accident insurance for its entire Employees.
(10) Establish the nursery room in the Company to provide the postpartum Employees with the excellent environment for nursing.
(11) Hold domestic and overseas travels, family days, speeches and year end banquets for the Employees every year.
(12) Encourage and assist the Employees to set up the clubs and hold relevant activities.
(13) The Company provides gift certificates for the three main holidays, scholarships, and birthday gifts for Employees.
(14) Provide the leaves that are better than the regulations of the Labor Standards Act such as leaves for helping deal with wedding affairs.
(15) Give gifts to the senior Employees for their hard work.
(16) Hold labor-management meetings regularly to harmonize labor relations.
(17) Hold Coffee Sessions and other activities to help the newcomers to become more involved in the Company's atmosphere faster.

2. Further study and educational training for Employees:

(1) The Company values its human resources and puts lots of effort on talent cultivation, and it plans the annual educational training program for the Employees according to the organizational development and the annual strategic targets and selects the development focus of the year.
(2) Establish standardized newcomer guidance training and orientation training to help the newcomers involve in the team quickly.
(3) Provide the current Employees with the application for the external training courses and expense subsidy.
(4) Establish the internal trainer system to cultivate the Employees to serve as the internal trainers for the Company to pass down the professional knowledge and capability.
(5) Cooperate with the Trade Unions to irregularly implement the labor education training every year.
(6) Implement the dual-career project to provide technical training and multiple general education courses for the students who participate in Industry-Academe Collaboration Program.
(7) In recent years, the Company has been awarded the TTQS Training Quality Benchmark Silver Award.
(8) In 2020, 4,258 of the Employees received the training program, and the total cost of training was NT$3,344,665, with a satisfaction rating of 90.2, allowing Employees to develop their professional abilities in accordance with their duties, and demonstrate their work practices.

Course Category	Total number of people	Total hours	Total expense
Training of New Employees	600	4,800	3,344,665
Professional Training Program	2,739	13,346	
Managerial Program	919	3,862	
Total	**4,258**	**22,007**	

3. Retirement system:

OSE has contributed monthly to the workers' retirement reserve fund since November 1986 according to the Labor Standards Act and deposited the fund in the Central Trust of China and established the Supervisory committee of workers' retirement reserve fund. In response to SFAS No.18 “Accounting for Pensions” which was implemented in 1995, the contribution proportion was increased to 4% after the submission to the competent authority for business objectives in July, 1993, and was adopted by the Export Processing Zone Administration of the Ministry of Economy on August 9, 1993 and letter No. 006702 was issued. In July 2005, the Labor Pension Act was announced and implemented, the Company conducted the opinion investigation to know the willingness of the Employees for choosing the old pension system or the new one according to the “Labor Pension Act” and reported the list of the Employees who chose the new pension system, and it also contributed 6% of monthly salary to the Employee's personal account in the Bureau of Labor Insurance based on the regulation. In August 2005, the Company submitted the proposal of decreasing the pension contribution proportion from 4% to 3% to the concerned authority, it was adopted on August 26, 2005 and letter No. 09400072390 was issued. In January 2016, the Company submitted the proposal to increase the pension contribution proportion from 3% to 6% to the concerned authority, it was adopted on January 21, 2016 and letter No. 10500008670 was issued. In March 2017, the Company submitted the proposal of increasing the pension contribution proportion from 6% to 10% to the concerned authority, it was adopted on March 23, 2017 and letter No. 10600029540 was issued.

4. Other important agreements:

(1) Formulated the Employee reporting system to provide the Employees with the reporting channels.

(2) The Company can communicate with the cadres of the industrial labor union at any time and it has established the Employee suggestion box, grievance hot line, grievance e-mail, so Employees can express their opinions completely.

(3) In order to encourage Employees, the Company regularly organizes events to select excellent Employees and publicly praise them. By encouraging the Employees who meet the core value of the Company, they will also further inspire other Employees.

(4) The Company continues to promote the internal engineering improvement meetings as a means to encourage the Employees to show their best. The Company also encourages the Employees to continue improving their performance and quality and pass down what they know onto other Employee.

(5) Provide the newcomers and the model Employees with the opportunities of communication and interaction with the middle and top management in the Coffee Sessions.

(II) Losses suffered from labor disputes in the most recent year and as of the date of printing of the annual report (including labor inspection results in violation of the Labor Standards Law, which shall include the date of penalty, the number of the penalty received, the provision of the violation, the content of the violation, and the content of the penalty): None.

(III) The estimated amount of current and potential future liabilities and contingency measures, and if the amount cannot be reasonably estimated, the fact that it cannot be reasonably estimated: It is estimated that in the future, if the Company continues to promote and implement the various Employee welfare measures, there shall be no labor disputes that would result in losses.

VI. Significant contracts: List the parties to the supply and sales contracts, technical cooperation contracts, engineering contracts, long-term loan contracts and other significant contracts affecting Shareholders' equity, their main contents, restrictive clauses and dates of expiration as of the printing date of the annual report.

Type of contract	Counterparty	Contract period	Major contents	Restriction
Land lease	Export Processing Zone Administration of the Ministry of Economy	March 1, 2010 - October 31, 2029	1. 10 land leases in Export Processing Zone(based on the lease), the actual lease area is 72,231m^2 2.Rental and payment	
Technology Collaboration	CHIPBOND TECHNOLOGY CORPORATION	Commenced on January 6, 2021, and it is subject to termination in accordance to the terms in the contract	1. Co-development of technologies 2. Vesting of interests and profit sharing method	

VI. Financial Information

I. Condensed balance sheet and statement of comprehensive income in the past five years

(I) Condensed balance sheet and statement of comprehensive income－consolidated financial statements

1. Condensed balance sheet—consolidated financial statements

Unit: NTD thousand

Item \ Fiscal Year		Financial information in the past five years (Note 1)					
		2016	2017	2018	2019	2020	Financial information in the current year by March 31, 2021
Current assets		5,819,947	6,027,501	6,276,273	6,258,470	6,019,664	6,167,257
Property, plant and equipment		9,174,961	7,646,666	7,063,908	6,264,246	5,285,569	5,071,229
Intangible assets		95,977	79,680	89,633	58,445	34,706	34,854
Other assets		2,981,745	2,957,461	3,316,629	3,337,589	3,143,880	3,093,170
Total assets		18,072,630	16,711,308	16,746,443	15,918,750	14,483,819	14,366,510
Current liabilities	Before distribution	8,115,378	8,339,294	9,031,180	8,263,388	4,649,366	4,510,728
	After distribution	8,115,378	8,339,294	9,031,180	8,263,388	(Note 2)	(Note 2)
Non-current liabilities		3,280,752	2,712,168	2,212,663	1,589,207	2,231,685	2,036,683
Total liabilities	Before distribution	11,396,130	11,051,462	11,243,843	9,852,595	6,881,051	6,547,411
	After distribution	11,396,130	11,051,462	11,243,843	9,852,595	(Note 2)	(Note 2)
Equity attributed to owners of the parent company		6,484,292	5,659,846	5,502,600	6,066,155	7,602,768	7,819,099
Capital		8,060,158	8,060,158	5,523,285	5,573,285	7,372,225	7,370,410
Capital reserve		21,868	21,420	20,104	45,711	220,723	222,538
Retained earnings	Before distribution	(1,796,040)	(2,536,872)	(44,832)	537,191	160,707	381,061
	After distribution (Note 2)	(1,796,040)	(2,536,872)	(44,832)	381,893	(Note 2)	(Note 2)
Other equity		198,306	115,140	4,043	(90,032)	(150,887)	154,910
Treasury stock		—	—	—	—	—	—
Non-controlling interest		192,208	—	—	—	—	—
Total equity	Before distribution	6,676,500	5,659,846	5,502,600	6,066,155	7,602,768	7,819,099
	After distribution (Note 2)	6,676,500	5,659,846	5,502,600	5,910,857	(Note 2)	(Note 2)

(Note 1): The financial information in the aforementioned years (quarters) has been audited and certified by CPA.

(Note 2): The above post-distribution figures are based on the resolution of the next Annual General Shareholders' Meeting.

2. Condensed statement of comprehensive income－consolidated financial statements

Unit: NTD thousand

Fiscal Year / Item	Financial information in the past five years (Note 1)					Financial information in the current year by March 31, 2021
	2016	2017	2018	2019	2020	
Operating revenue	15,786,333	13,886,312	15,188,192	17,515,145	13,851,909	3,788,896
Operating margin	1,796,924	181,636	532,137	1,772,942	697,353	517,907
Operating profit(loss)	683,612	(724,373)	(406,063)	776,472	(186,030)	273,495
Non-operating income and expenses	(46,959)	(27,152)	43,527	(39,879)	(57,178)	7,930
Net income (loss) before tax	636,653	(751,525)	(362,536)	736,593	(243,208)	281,425
Net income(loss) from continuing operations	503,839	(714,804)	(111,548)	587,960	(266,123)	220,354
Loss of discontinued operations	－	－	－	－	－	－
Net income (loss)	503,839	(714,804)	(111,548)	587,960	(266,123)	220,354
Other comprehensive income /loss (net of tax)	(53,154)	(112,314)	(45,907)	(28,711)	(141,994)	(6,227)
Total comprehensive income (loss)	450,685	(827,118)	(157,455)	559,249	(408,117)	214,127
Net income attributed to the owner of parent company	504,371	(713,577)	(111,548)	587,960	(266,123)	220,354
Net income attributed to non-controlling interest	(532)	(1,227)	－	－	－	－
Total comprehensive income attributed to the owner of parent company	444,735	(823,998)	(157,455)	559,249	(408,117)	214,127
Total comprehensive income attributed to non-controlling interest	5,950	(3,120)	－	－	－	－
EPS	0.63	(0.89)	(0.20)	1.06	(0.48)	0.40

(Note 1): The financial information in the aforementioned years (quarters) has been audited and certified by CPA.

(II) Condensed balance sheet and statement of comprehensive income－individual financial statements

1. Condensed balance sheet－individual financial statements

Unit: NTD thousand

Item \ Fiscal Year		Financial information in the past five years (Note 1)					
		2016	2017	2018	2019	2020	Financial information in the current year by March 31, 2021
Current assets		4,965,509	5,423,002	5,676,071	5,755,448	5,610,556	Not applicable
Property, plant and equipment		8,939,936	7,600,104	7,012,652	6,220,127	5,246,877	
Intangible assets		95,048	78,985	89,266	58,192	34,553	
Other assets		3,428,286	3,431,835	3,843,431	3,838,398	3,471,938	
Total assets		17,428,779	16,533,926	16,621,420	15,872,165	14,363,924	
Current liabilities	Before distribution	7,774,492	8,162,012	8,906,255	8,273,415	4,536,390	
	After distribution	7,774,492	8,162,012	8,906,255	8,273,415	4,536,390	
Non-current liabilities		3,169,995	2,712,068	2,212,565	1,532,595	2,224,766	
Total liabilities	Before distribution	10,944,487	10,874,080	11,118,820	9,806,010	6,761,156	
	After distribution	10,944,487	10,874,080	11,118,820	9,806,010	6,761,156	
Equity attributed to owners of the parent company		6,484,292	5,659,846	5,502,600	6,066,155	7,602,768	
Capital		8,060,158	8,060,158	5,523,285	5,573,285	7,372,225	
Capital reserve		21,868	21,420	20,104	45,711	220,723	
Retained earnings	Before distribution	(1,796,040)	(2,536,872)	(44,832)	537,191	160,707	
	After distribution (Note 2)	(1,796,040)	(2,536,872)	(44,832)	381,893	(Note 2)	
Other equity		198,306	115,140	4,043	(90,032)	(150,887)	
Treasury stock		—	—	—	—	—	
Non-controlling interest		—	—	—	—	—	
Total equity	Before distribution	6,484,292	5,659,846	5,502,600	6,066,155	7,602,768	
	After distribution (Note 2)	6,484,292	5,659,846	5,502,600	5,910,857	(Note 2)	

(Note1): The financial information in the aforementioned years has been audited and certified by CPA.

(Note 2): The above post-distribution figures are based on the resolution of the next Annual General Shareholders' Meeting.

2. Condensed statement of comprehensive income－individual financial statements

Unit: NTD thousand

Fiscal Year / Item	Financial information in the past five years (Note 1)					
	2016	2017	2018	2019	2020	Financial information in the current year by March 31, 2021
Operating revenue	15,130,357	13,468,695	14,924,371	17,235,914	13,567,698	Not Applicable
Operating margin	1,511,833	5,811	443,813	1,697,504	666,801	
Operating profit(loss)	645,638	(776,154)	(397,969)	763,309	(124,361)	
Non-operating income and expenses	(14,463)	6,127	28,349	(29,308)	(121,032)	
Net income before tax	631,175	(770,027)	(369,620)	734,001	(245,393)	
Net income from continuing operations	504,371	(713,577)	(111,548)	587,960	(266,123)	
Loss of discontinued operations	－	－	－	－	－	
Net income (loss)	504,371	(713,577)	(111,548)	587,960	(266,123)	
Other comprehensive income /loss (net of tax)	(59,636)	(110,421)	(45,907)	(28,711)	(141,994)	
Total comprehensive income (loss)	444,735	(823,998)	(157,455)	559,249	(408,117)	
Net income attributed to the owner of parent company	504,371	(713,577)	(111,548)	587,960	(266,123)	
Net income attributed to non-controlling interest	－	－	－	－	－	
Total comprehensive income attributed to the owner of parent company	444,735	(823,998)	(157,455)	559,249	(408,117)	
Total comprehensive income attributed to non-controlling interest	－	－	－	－	－	
EPS	0.63	(0.89)	(0.20)	1.06	(0.48)	

(Note1): The financial information in the aforementioned years has been audited and certified by CPA.

(III) CPA's audited opinion in the past five years

Fiscal Year	Name of CPA	Name of CPA	Audit Opinion
105	Fang Wen Li	Shih Chieh Huang	Unqualified opinion
2017	Fang Wen Li	Cheng-Chu Chen	Unqualified opinion
2018	Fang Wen Li	Cheng-Chu Chen	Unqualified opinion
108	Zhi-Zheng Chen	Cheng-Chu Chen	Unqualified opinion
109	Zhi-Zheng Chen	Cheng-Chu Chen	Unqualified opinion

II. Financial analysis in the past five years

(I) Financial analysis in the past five years—consolidated financial statements:

Analysis item (Note 3) \ Financial Year (Note 1)		Financial analysis inthe pas five years					As of March 30, 2021
		2016	2017	2018	2019	2020	
Financial structure (%)	Liabilities to assets ratio	63.06	66.13	67.14	61.89	47.51	45.57
	Long-term capital to property, plant and equipment ratio	99.90	102.41	102.15	111.28	155.57	167.67
Solvency %	Current ratio	71.72	72.28	69.50	75.74	129.47	136.72
	Quick ratio	51.99	54.48	51.57	59.96	103.55	106.75
	Interest coverage ratio	5.22	(4.39)	(1.88)	7.36	(2.17)	27.02
Operating performance	Account receivable turnover (time)	5.48	5.37	5.36	6.06	5.43	5.68
	Average collection days	67	68	68	60	67	64
	Inventory turnover (time)	9.38	9.40	9.79	11.17	11.00	10.79
	Account payable turnover (time)	4.09	4.23	4.43	4.84	4.85	5.16
	Average days for sales	39	39	37	33	33	34
	Property, plant and equipment turnover (time)	1.83	1.65	2.06	2.63	2.40	2.93
	Total assets turnover (time)	0.88	0.80	0.91	1.07	0.91	1.05
Profitability	Return on assets (%)	3.52	(3.44)	(0.06)	4.17	(1.35)	1.59
	Return on equity (%)	8.07	(11.75)	(2.00)	10.16	(3.89)	2.86
	Net income before tax to paid-in capital ratio(%)	7.90	(9.32)	(6.56)	13.22	(4.37)	3.71
	Net profit margin (%)	3.19	(5.14)	(0.73)	3.36	(1.92)	5.82
	EPS (NT$)	0.63	(0.89)	(0.20)	1.05	(0.48)	0.40
Cash flow	Cash flow ratio (%)	26.78	12.18	2.61	36.73	15.37	4.85
	Cash flow adequacy ratio (%)	82.10	92.02	83.56	114.61	123.05	63.65
	Cash re-investment ratio (%)	7.86	4.19	0.95	13.09	2.39	0.81
Leverage	Operation leverage	8.24	(5.61)	(11.59)	8.07	(23.73)	5.21
	Financial leverage	1.28	0.84	0.76	1.18	0.71	1.04

Profitability/ Cash flow:

◇ Financial structure/solvency/profitability

1. Decrease in debt to assets ratio: Mainly due to the repayment of loans, resulting in a decrease in total liabilities.
2. Increase in the ratio of long-term capital to property, plant and equipment: Mainly due to the increase in cash capital, which led to the increase in equity.
3. The increase in current ratio and quick ratio: Mainly due to the repayment of loans, resulting in a decrease in total liabilities.
4. Decrease in interest coverage and net income before tax to paid-in capital ratio: Mainly due to the decrease in net income before tax.
5. Decrease in return on assets, return on equity, net income and earnings per share: Mainly due to the decrease in net income after tax.

◇Cash flow/leverage

1. Decrease in cash flow ratio and cash reinvestment ratio: Mainly due to the decrease in net cash flow from operating activities.
2. The decrease in operating leverage and financial leverage: Mainly due to the net operating loss for the period.

Note 1: The financial information in the aforementioned years (quarters) has been audited and certified by CPA.
Note 2: The calculation formula for the financial analysis:

1. Financial structure
   (1)Liabilities to assets ratio = total liabilities/ total assets.
   (2) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities)/ net worth of property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets/current liabilities.
   (2) Quick ratio = (current assets – inventory – pre-payments)/current liabilities
   (3) Interest coverage ratio= net income before income tax and interest expenses /interest expense for current period.
3. Operating performance
   (1) Receivables (including account receivable and Note receivable from operation) turnover = net sales/balance of average receivables (including account receivable and Note receivable from operation).
   (2) Average collection days = 365/ receivables turnover.
   (3) Inventory turnover = cost of sales /average inventory.
   (4) Payables (including account payable and Note payable from operation) turnover = cost of sales /balance of average payables (including account payable and Note payable from operation).
   (5) Average days for sales = 365/inventory turnover
   (6) Property, plant and equipment turnover = net sales /average net worth of property, plant and equipment.
   (7) Total assets turnover = net sales/average total assets.
4. Profitability
   (1) Return on assets = [profit/loss after tax + interest expenses x (1-tax rate)]/average total assets.
   (2) Return on equity = profit/loss after tax / average total equity.
   (3) Net profit ratio = profit, loss after tax /net sales
   (4) EPS = (Profit and loss attributable to owners of the parent company – dividends from preferred stocks)/weighted average number of outstanding shares
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities/ current liabilities
   (2) Net cash flow adequacy ratio = net cash flow from operating activities in the past five years/(capital expenditures + inventory increase + cash dividends) in the past five years.
   (3) Cash re-investment ratio = (net cash flow from operation activities – cash dividends)/ (gross property, plant and equipment + long-term investment + other non-current assets + working capital)
6. Leverage:
   (1) Operation leverage = (net operating revenue – variable operating costs and expenses)/operating profit
   (2) Financial leverage = operating profit/(operating profit-interest expenses).

(II) Financial analysis in the past five years — individual financial statements:

Analysis item (Note 3) \ Year (Note 1)		Financial analysis inthe pas five years					As of March 31, 2021
		2016	2017	2018	2019	2020	
Financial structure (%)	Liabilities to assets ratio	62.80	65.77	66.89	61.78	47.07	Not applicable
	Long-term capital to property, plant and equipment ratio	101.29	103.03	102.90	112.07	156.72	
Solvency %	Current ratio	63.87	66.44	63.73	69.57	123.68	
	Quick ratio	49.18	51.40	49.17	56.33	99.94	
	Interest coverage ratio	5.25	(4.58)	(1.93)	7.45	(2.32)	
Operating performance	Account receivable turnover (time)	5.38	5.31	5.34	6.03	5.40	
	Average collection days	68	69	68	61	68	
	Inventory turnover (time)	11.58	11.80	11.83	13.49	12.48	
	Account payable turnover (time)	4.19	4.41	4.54	4.83	4.79	
	Average days for sales	32	31	31	27	29	
	Property, plant and equipment turnover (time)	1.80	1.63	2.04	2.61	2.37	
	Total assets turnover (time)	0.87	0.79	0.90	1.06	0.90	
Profitability	Return on assets (%)	3.61	(3.53)	(0.04)	4.18	(1.37)	
	Return on equity (%)	8.07	(11.75)	(2.00)	10.16	(3.89)	
	Net income before tax to paid-in capital ratio(%)	7.83	(9.55)	(6.69)	13.17	(4.41)	
	Net profit margin (%)	3.33	(5.30)	(0.75)	3.41	(1.96)	
	EPS (NT$)	0.63	(0.89)	(0.20)	1.05	(0.48)	
Cash flow	Cash flow ratio (%)	29.15	11.47	2.93	36.55	11.74	
	Cash flow adequacy ratio (%)	94.46	78.68	84.05	105.68	108.65	
	Cash re-investment ratio (%)	8.53	3.92	1.07	13.21	1.72	
Leverage	Operation leverage	8.35	(5.02)	(11.62)	8.07	(35.09)	
	Financial leverage	1.30	(5.02)	0.76	1.18	0.63	

Analysis of changes in the percentage of increase or decrease of more than 20%:

◇ Financial structure/solvency/profitability

1. Decrease in debt to assets ratio: Mainly due to the repayment of loans, resulting in a decrease in total liabilities.
2. Increase in the ratio of long-term capital to property, plant and equipment: Mainly due to the increase in cash capital, which led to the increase in equity.
3. The increase in current ratio and quick ratio: Mainly due to the repayment of loans, resulting in a decrease in total liabilities.
4. Decrease in interest coverage and net income before tax to paid-in capital ratio: Mainly due to the decrease in net income before tax.
5. Decrease in return on assets, return on equity, net income and earnings per share: Mainly due to the decrease in net income after tax.

◇Cash flow/leverage

1. Decrease in cash flow ratio and cash reinvestment ratio: Mainly due to the decrease in net cash flow from operating activities.
2. The decrease in operating leverage and financial leverage: Mainly due to the net operating loss for the period.

Note 1: The financial information in the aforementioned years has been audited and certified by CPA.
Note 2: The calculation formula for the financial analysis:

1. Financial structure
   (1)Liabilities to assets ratio = total liabilities/ total assets.
   (2) Long-term capital to property, plant and equipment ratio= (total equity + non-current liabilities)/ net worth of property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets/current liabilities.
   (2) Quick ratio = (current assets – inventory – pre-payments)/current liabilities
   (3) Interest coverage ratio= net income before income tax and interest expenses /interest expense for current period.
3. Operating performance
   (1) Receivables (including account receivable and Note receivable from operation) turnover = net sales/balance of average receivables (including account receivable and Note receivable from operation).
   (2) Average collection days = 365/ receivables turnover.
   (3) Inventory turnover = cost of sales /average inventory.
   (4) Payables (including account payable and Note payable from operation) turnover = cost of sales /balance of average payables (including account payable and Note payable from operation).
   (5) Average days for sales = 365/inventory turnover
   (6) Property, plant and equipment turnover = net sales /average net worth of property, plant and equipment.
   (7) Total assets turnover = net sales/average total assets.
4. Profitability
   (1) Return on assets = [profit/loss after tax + interest expenses x (1-tax rate)]/average total assets.
   (2) Return on equity = profit/loss after tax / average total equity.
   (3) Net profit ratio = profit, loss after tax /net sales
   (4) EPS = (Profit and loss attributable to owners of the parent company – dividends from preferred stocks)/weighted average number of outstanding shares
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities/ current liabilities
   (2) Net cash flow adequacy ratio = net cash flow from operating activities in the past five years/(capital expenditures + inventory increase + cash dividends) in the past five years.
   (3) Cash re-investment ratio = (net cash flow from operation activities – cash dividends)/ (gross property, plant and equipment + long-term investment + other non-current assets + working capital)
6. Leverage:
   (1) Operation leverage = (net operating revenue – variable operating costs and expenses)/operating profit
   (2) Financial leverage = operating profit/(operating profit-interest expenses).

Audit Committee's Auditing Report

The Board of Directors have prepared the 2020 standalone and consolidated financial statements and retained the CPAs, Zhi-Zhong Chen and Zheng-Chu Chen of Ernst & 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 along with the business report and Deficit compensation 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
2021 Annual General Shareholders' Meeting of Orient Semiconductor Electronics's

Orient Semiconductor Electronics, Ltd.
Convener of the Audit Committee: Ching-Tien Tsai

March 10, 2021

IV. The consolidated financial statements for the most recent year

Disclaimer

In the fiscal year 2020 (from January 1, 2020 to December 31, 2020), the consolidated entities within the consolidated financial statement of affiliated enterprises in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are identical to the entities within the consolidated financial statement in accordance with Article 10 of the International Financial Reporting Standards (IFRS). Consequently, the Company would not prepare the consolidated financial statement of affiliated enterprises separately.

Hereby declares

Name of the Company: Orient Semiconductor Electronics

Responsible Person: Yueh-Ming Tung

March 10, 2021

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安永聯合會計師事務所

80052 高雄市中正三路2號17樓
17F, No. 2, Zhongzheng 3rd Road
Kaohsiung City, Taiwan, R.O.C.

Tel: 886 7 238 0011
Fax: 886 7 237 0198
www.ey.com/taiwan

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, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, and their consolidated financial performance and cash flows for the years ended December 31, 2020 and 2019, 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 2020 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

Sales revenue amounted to $13,851,909 thousand which were highly accounted for by major customers were material to the consolidated financial statement as a whole for the year ended December 31, 2020. Therefore, we consider the occurrence of sales as key audit matters to address the risk.

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 2020 and assessing if their backgrounds, transaction amounts were consistent with their scale ; verifying the occurrence of sales by confirmations; testing the journal entries to ensure the transactions to be recorded properly; selecting samples to perform test of details and reviewing significant contact 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 $1,550,989 thousand, for the years ended December 31, 2020. 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 $733,007 thousand and $800,395 thousand accounting for 5.06% and 5.03% of consolidated total assets as of December 31, 2020 and 2019, respectively; total operating revenues amounted to $46,744 thousand and $59,130 thousand, constituting 0.34% and 0.34% of consolidated operating revenues for the years ended December 31, 2020 and 2019, 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.

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.

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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 2020 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, 2020 and 2019.

Chen, Chih-Chung

Chen, Cheng-Chu

Ernst & Young, Taiwan

March 10, 2021

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, 2020 and 2019

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4, 6.(1)	$1,845,800	13	$1,701,412	11
Financial assets measured at amortized cost-Current	4, 6.(2)	131,045	1	—	—
Contract assets-Current	4, 6.(21)	304,825	2	302,982	2
Notes receivable	4, 6.(3)	852	—	1,770	—
Accounts receivable-Non Affiliates	4, 6.(4)	2,182,326	16	2,455,324	16
Accounts receivable-Affiliates	4, 6.(4), 7	229,921	2	229,557	1
Other receivable-Non Affiliates	4	30,750	—	31,044	—
Other receivable-Affiliates	4,7	47,554	—	50,435	—
Inventories	4, 6.(5)	1,140,652	8	1,250,419	8
Prepayments	4, 6.(12)	64,366	—	53,122	—
Other current assets		15,018	—	28,179	—
Other financial assets-Current	8	26,555	—	154,226	1
Total current assets		6,019,664	42	6,258,470	39
Non-current assets					
Financial assets at fair value through profit or loss-Non current	4, 6.(6)	6,486	—	—	—
Financial assets at fair value through other comprehensive income-Non current	4, 6.(7)	107,232	1	226,860	1
Investments accounted for using the equity method	4, 6.(8),8	450,878	3	459,383	3
Property, plant, and equipment	4, 6.(9), 8	5,285,569	36	6,264,246	39
Right-of-use assets	4, 6.(23)	244,707	2	253,847	2
Investment Property	4, 6.(10)	394,486	3	440,433	3
Intangible assets	4, 6.(11)	34,706	—	58,445	—
Deferred income tax assets	4, 6.(27)	1,550,989	11	1,547,937	10
Prepayment for equipment	4, 6.(12)	128,499	1	151,901	1
Refundable deposits	8	167,650	1	157,615	1
Long-term receivables-Affiliates	4, 6.(13), 7	88,352	—	93,315	1
Other non-current assets	4	4,601	—	6,298	—
Total non-current assets		8,464,155	58	9,660,280	61
Total assets		$14,483,819	100	$15,918,750	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, 2020 and 2019

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
Current liabilities					
Short-term loans	6.(14), 7	$1,106,413	8	$2,373,766	15
Short-term notes payable	6.(15)	—	—	379,210	3
Contract Liabilities-Current	4, 6.(21)	25,371	—	29,439	—
Notes payable	4	14,608	—	54,503	—
Accounts payable-Non Affiliates	4	2,305,268	16	3,057,906	19
Accounts payable-Affiliates	4,7	2,486	—	38,483	—
Other payables-Non Affiliates		809,213	5	1,053,956	7
Other payables-Affiliates	7	603	—	—	—
Lease liabilities-Current	4, 6.(23)	26,895	—	25,725	—
Current portion of long-term loans	6.(16)	246,446	2	1,190,490	8
Other current liabilities		112,063	1	59,910	—
Total current liabilities		4,649,366	32	8,263,388	52
Non-current liabilities					
Long-term loans	6.(16)	620,000	5	904,836	6
Deferred tax liabilities	4, 6.(27)	7,346	—	31,272	—
Lease liabilities-Non current	4, 6.(23)	210,089	1	218,681	1
Preferred stock liabilities-Non current	6.(18)	1,006,485	7	—	—
Net defined benefit liability-Non current	4, 6.(17)	384,246	3	430,850	3
Deposits received	4	3,519	—	3,568	—
Total non-current liabilities		2,231,685	16	1,589,207	10
Total liabilities		6,881,051	48	9,852,595	62
Equity attributable to the parent company	4, 6.(19)				
Capital					
Common stock		5,570,425	38	5,573,285	35
Preferred stock		1,801,800	12	—	—
Total capital stock		7,372,225	50	5,573,285	35
Additional paid-in capital		220,723	1	45,711	—
Retained earnings					
Legal reserve		53,719	—	—	—
Special reserve		18,730	—	—	—
Undistributed earings		88,258	1	537,191	3
Total retained earnings		160,707	1	537,191	3
Other Components of Equity		(150,887)	—	(90,032)	—
Equity attributable to stockholders of the parent		7,602,768	52	6,066,155	38
Total stockholders' equity		7,602,768	52	6,066,155	38
Total liabilities and stockholders' equity		$14,483,819	100	$15,918,750	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, 2020 and 2019

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	2020		2019	
		Amount	%	Amount	%
Net revenue	4, 6.(21), 7	$13,851,909	100	$17,515,145	100
Cost of goods sold	4, 6.(5), 6.(24)	(13,154,556)	(95)	(15,742,203)	(90)
Gross profit		697,353	5	1,772,942	10
Operating expenses	4, 6.(24)				
Selling and administration expenses		(620,006)	(4)	(710,778)	(4)
Research and development expenses		(267,325)	(2)	(278,307)	(2)
Expected credit (gains) losses	4, 6.(22)	2,933	—	(7,742)	—
Subtotal		(884,398)	(6)	(996,827)	(6)
Net other operating income and expenses		1,015	—	357	—
Operating (loss) income		(186,030)	(1)	776,472	4
Non-operating income and expenses	6.(25)				
Interest revenue		4,892	—	5,951	—
Other income		76,251	1	44,513	—
Other gains and losses		(82,613)	(1)	(13,999)	—
Financial costs		(76,816)	(1)	(115,732)	—
Expected credit gains (losses)	4, 6.(22)	1,148	—	(1,148)	—
Share of profit of associates under equity method	4, 6.(8)	19,960	—	40,536	—
Subtotal		(57,178)	(1)	(39,879)	—
Pretax (loss) income		(243,208)	(2)	736,593	4
Income tax (expense)	4, 6.(27)	(22,915)	—	(148,633)	(1)
Consolidated net (loss) income		(266,123)	(2)	587,960	3
Other comprehensive income (loss)	4, 6.(26)				
Items that will not be reclassified subsequently to profit or loss :					
Remeasurements of defined benefit plans		(34,730)	—	(8,772)	—
Unrealized gains or losses on financial assets at fair value through other comprehensive income		(119,628)	(1)	(8,018)	—
Income tax related to items that will not be reclassified		30,872	—	2,170	—
Items that may be reclassified subsequently to profit or loss :					
Exchange differences on translation of foreign operations		(23,475)	—	(18,965)	—
Share of other comprehensive income of associates and joint ventures		272	—	1,081	—
Income tax related to items that may be reclassified		4,695	—	3,793	—
Total other comprehensive income (loss), net of tax		(141,994)	(1)	(28,711)	—
Total comprehensive income (loss)		($408,117)	(3)	$559,249	3
Consolidated net (loss) income attributable to:					
Common stockholders of the parent		($266,123)	(2)	$587,960	3
Non controlling interests		—	—	—	—
		($266,123)	(2)	$587,960	3
Consolidated comprehensive income (loss) attributable to:					
Common stockholders of the parent		($408,117)	(3)	$559,249	3
Non-controlling interests		—	—	—	—
		($408,117)	(3)	$559,249	3
Basic (losses) earnings per share (Expressed in NTD)	4, 6.(28)	($0.48)		$1.06	
Diluted (losses) earnings per share (Expressed in NTD)	4, 6.(28)	($0.48)		$1.06	

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

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2020 and 2019

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Equity attributable to stockholders of the parent										Total Equity
	Stock		Capital surplus	Retained earnings			Other equity			Total	
	Common stock	Preferred stock		Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive	Employee Unearned Benefit		
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
Balance as of January 1, 2020	$5,573,285	–	$45,711	–	–	$537,191	($35,267)	$16,536	($71,301)	$6,066,155	$6,066,155
Appropriation and distribution of 2019 retained earnings:											
Legal reserve	–	–	–	$53,719	–	(53,719)	–	–	–	–	–
Special reserve	–	–	–	–	$18,730	(18,730)	–	–	–	–	–
Cash dividends	–	–	–	–	–	(82,849)	–	–	–	(82,849)	(82,849)
(Loss) for the years ended December 31, 2020	–	–	–	–	–	(266,123)	–	–	–	(266,123)	(266,123)
Other comprehensive income (loss) for the years ended December 31, 2020	–	–	–	–	–	(27,512)	(18,780)	(95,702)	–	(141,994)	(141,994)
Total comprehensive income (loss)	–	–	–	–	–	(293,635)	(18,780)	(95,702)	–	(408,117)	(408,117)
Preferred stocks issued	–	$1,801,800	198,198	–	–	–	–	–	–	1,999,998	1,999,998
Share-based payment transaction	(2,860)	–	(23,186)	–	–	–	–	–	53,627	27,581	27,581
Balance as of December 31, 2019	$5,570,425	$1,801,800	$220,723	$53,719	$18,730	$88,258	($54,047)	($79,166)	($17,674)	$7,602,768	$7,602,768

(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, 2020 and 2019
(Amounts expressed in Thousands of New Taiwan Dollars)

Items	2020 Amount	2019 Amount
Cash flows from operating activities:		
Pretax (loss) income	($243,208)	$736,593
Adjustments to reconcile net income (loss) before tax to net		
The profit or loss items which did not affect cash flows:		
Depreciation	1,464,347	1,491,025
Amortization	51,256	65,339
Expected credit (gain) loss	(4,081)	8,890
Interest expense	76,816	115,732
Interest revenue	(4,892)	(5,951)
Compensation costs of share-based payment	27,581	4,428
Share of (profit) of associates accounted for using the equity method	(19,960)	(40,536)
(Gain) on disposal of property, plant and equipment	(2,297)	(36,367)
Others - (Gain) on lease modification	(1,015)	(357)
Others - Loss on disposal and allowance for inventory valuation	44,836	105,828
Changes in operating assets and liabilities:		
(Increase) Decrease in contract assets	(1,843)	122,702
Decrease in notes receivable	918	8,740
Decrease (Increase) in accounts receivable-non affiliates	275,961	(79,162)
(Increase) Decrease in accounts receivable-affiliates	(364)	465,791
Decrease in other receivable-non affiliates	1,316	10,447
Decrease in other receivable-affiliates	24,059	41,019
Decrease in inventories	65,371	211,432
Decrease in prepayments	439	11,759
Decrease in other current assets	13,233	8,228
Decrease in other non-current assets	188	2,166
(Decrease) Increase in contract liabilities	(4,068)	13,618
(Decrease) in notes payable-non affiliates	(39,895)	(7,695)
(Decrease) in accounts payable-non affiliates	(752,638)	(238,082)
(Decrease) in accounts payable-affiliates	(35,997)	(10,727)
Increase in other payable	2,545	2,696
(Decrease) Increase in other current liabilities	(133,279)	99,887
(Decrease) in net defined liabilities	(81,334)	(73,818)
Cash generated from operations	723,995	3,033,625
Interest received	4,955	5,966
Income tax (paid)	(14,303)	(4,811)
Net cash provided by operating activities	714,647	3,034,780

Items	2020 Amount	2019 Amount
Cash flows from investing activities:		
Acqusition of financial assets measured at amortized cost	(131,045)	—
Acqusition of property, plant and equipment	(482,271)	(728,482)
Disposal of property, plant and equipment	3,684	48,897
(Increase) Decrease in refundable deposits	(10,035)	44,288
Acqusition of intangible assets	(20,316)	(32,657)
Decrease in long-term receivables	4,963	1,985
Net cash (used in) investing activities	(635,020)	(665,969)
Cash flows from financing activities:		
(Decrease) in short-term loans	(1,267,486)	(433,155)
Increase in short-term notes payable	—	379,210
(Decrease) in short-term notes payable	(379,210)	(349,610)
Increase in long-term loans	1,742,995	1,300,000
Repayment of long-term loans	(2,976,291)	(2,262,010)
Preferred stock liabilities issued	999,999	—
Increase in guarantee deposits received	—	46
(Decrease) in guarantee deposits received	(49)	—
Increase in other payable-affiliates	603	—
Repayment of lease liabilities	(27,344)	(30,050)
Cash dividends	(82,849)	—
Preferred stock issued	1,999,998	—
Interest paid	(79,361)	(118,428)
Other financing activities	127,671	89,389
Net cash provided by (used in) financing activities	58,676	(1,424,608)
Effect of exchange rate changes on cash and cash equivalents	6,085	(5,102)
Net Increase in cash and cash equivalents	144,388	939,101
Cash and cash equivalents, beginning of period	1,701,412	762,311
Cash and cash equivalents, end of period	$1,845,800	$1,701,412

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

1. ORGANIZATION AND OPERATION

Orient Semiconductor Electronics Limited (the Company) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China in June 1971. The Company was registered in Kaohsiung City and the registered address is 9 Central 3Rd St. N.E.P.Z., Kaohsiung, Taiwan, 11, R.O.C. The principal activity of the Company is to engage in the manufacture, assembly, processing and sale of integrated circuits, parts for semiconductors, computer motherboards and related products. The Company's shares commenced trading in the Taiwan stock exchange market in April 1994.

As of the years ended December 31, 2020, the Company and its subsidiaries current liabilities and current assets amounted to $4,649,366 thousand and $6,019,664 thousand, respectively. The current ratio was 129.47%. The Company has devoted to adjusting its product structure. The Company keeps making a profit and improving financial structure.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended December 31, 2020 and 2019 were authorized for issue by the Board of Directors on March 10, 2021.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments.

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2020. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on the Group.

(a) Covid-19-Related Rent Concessions (Amendment to IFRS 16)

The Group elected to early apply Covid-19-Related Rent Concessions (Amendment to IFRS 16) which is recognized by FSC for annual periods beginning on or after January 1, 2020, and in accordance with the requirements of the transition. For the rent concession arising as a direct consequence of the covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment. Please refer to Note 6 for disclosure related to the lessee which required by the amendment.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

(a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

A. A company will not have to derecognise or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2021 have no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2023
c	Classification of Liabilities as Current or Non-current Amendments to IAS 1	January 1, 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
e	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
f	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023

(a) IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures.

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(1) estimates of future cash flows;
(2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

(e) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(f) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. All other standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards (IFRS), International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee which are endorsed by Financial Supervisory Commission of the Republic of China.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Basis of consolidation

<u>Preparation principle of consolidated financial statement</u>

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

(b) exposure, or rights, to variable returns from its involvement with the investee, and

(c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee

(b) rights arising from other contractual arrangements

(c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

(a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;

(b) derecognizes the carrying amount of any non-controlling interest;

(c) recognizes the fair value of the consideration received;

(d) recognizes the fair value of any investment retained;

(e) recognizes any surplus or deficit in profit or loss; and

(f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

A. <u>The consolidated entities are listed as follows:</u>

Investor	Name of subsidiaries	Business nature	Percentage of ownership December 31, 2020	Percentage of ownership December 31, 2019	Remarks
The Company	Orient Semiconductor Electronics Philippines, Inc. (OSE PHILIPPINES , INC.；OSEP)	Manufacture and export of integrated circuits and computers	99.99%	99.99%	1. As of December 31, 2020, the Company owned 93.67% and OSE B.V.I. owned 6.33% of the shares of OSEP, which represented the aggregate a 99.99% ownership of OSEP. 2. OSEP ceased its operation in fourth quarter of 2011.
The Company	OSE INTERNATIONAL, LTD. (OSE B.V.I.)	Investments of various manufacturing businesses	100.00%	100.00%	—
The Company	OSE USA, INC. (OSEU)	Investments of various manufacturing businesses	100.00%	100.00%	OSEA merged with OSEU on February 14, 2006 and assumed OSEU’s assets, liabilities and preferred stocks. OSEA changed its name as OSE USA, Inc. after the merger.
The Company	COREPLUS (HK) LIMITED (COREPLUS)	Manufacture of electronics product	100.00%	100.00%	—
COREPLUS (HK) LIMITED (COREPLUS)	VALUE–PLUS TECHNOLOGY (SUZHOU) CO. (VALUE–PLUS (SUZHOU))	Manufacture of electronics product	100.00%	100.00%	—

B. The consolidated financial statements of part of the subsidiaries listed above had not been reviewed by auditors. As of December 31, 2020 and 2019, the related assets of the subsidiaries which were unaudited by auditors amount to $733,007 thousand and $800,395 thousand respectively, and the related liabilities amount to $702,895 thousand and $705,073 thousand, respectively. The comprehensive income of these subsidiaries amount to ($62,323) thousand and ($27,743) thousand for the years ended December 31, 2020 and 2019, respectively.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IAS 39 Financial Instruments: Recognition and Measurement are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

(a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and

(b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.

(b) The Group holds the asset primarily for the purpose of trading.

(c) The Group expects to realize the asset within twelve months after the reporting period.

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

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Group expects to settle the liability in its normal operating cycle.

(b) The Group holds the liability primarily for the purpose of trading.

(c) The liability is due to be settled within twelve months after the reporting period.

(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within three months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.
The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

(a) the Group's business model for managing the financial assets and
(b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a)A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(b)When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
(c)Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

i. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Company makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should be recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss and trade receivables.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
(d) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired.
(b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
(c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

<u>Classification between liabilities or equity</u>

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

<u>Equity instruments</u>

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

<u>Financial liabilities</u>

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. A financial liability is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
(b) group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at the lower of cost and net realizable value item by item.

Cost incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on an average basis.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs, on a average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

(12) Investment accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.
All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	10～51 years
Machinery and equipment	3～12 years
Transportation equipment	5 years
Office equipment	5 years
Leasehold improvements	5～15 years
Other equipment	5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(14) Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal Group that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers to or from investment properties when there is a change in use for these assets.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(15) Leases

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

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment. The Group have applied the practical expedient to all rent concessions that meet the conditions for it.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(16) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale
(b) Its intention to complete and its ability to use or sell the asset
(c) How the asset will generate future economic benefits
(d) The availability of resources to complete the asset
(e) The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit.

A summary of the policies applied to the Group’s intangible assets is as follows:

	Cost of computer software
Useful lives	1～3 years
Amortization method used	Amortized on a straight-line basis
Internally generated or acquired	Acquired

(17) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(18) Revenue recognition

The Group’s revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

<u>Sale of goods</u>

The Group manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main products of the Group are integrated circuits, semiconductor devices and computer motherboards, etc and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts.

Products manufactured according to customer's agreed specifications if the customer controls the product at the time of creation or enhancement of the product, the Group will gradually recognize revenue over time.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Group 's sale of goods is from 30 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses. However, for some contracts, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to transfer the goods to customers subsequently; accordingly, these amounts are recognized as contract liabilities.

Rendering of services

Revenue is recognized when the Group finishes the processing services.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee’s name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group’s consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(21) Share-Based Payment Transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(22) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
(b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
(b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(23) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 Financial Instruments: Recognition and Measurement either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Revenue recognition

The Group based on trading patterns and whether the economic substance were expose to the sale of goods or services related to the significant risks and rewards, to determine whether the Group should be classified as the principal of the transaction or agent. When expose to the sale of goods or services related to the significant risks and rewards, the principal of the transaction should recognize the total receivables or received economic benefit as revenue; if determine as the agent, recognize the net transaction as revenue.

The Group provides electronic manufacturing services and integrated circuit packaging and testing manufacturing services, determined as to conform to the following indicators; it is recognized as total revenue collected:

(a) has the primary responsibility to the provision of goods or services provided
(b) assumed inventory risk
(c) assumed customer's credit risk

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(2) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc. Please refer to Note 6 more details.

(3) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(4) Accounts receivables—estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details

(5) Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	Dec. 31, 2020	Dec. 31, 2019
Cash on hand	$363	$207
Demand deposits	1,512,970	1,701,205
Time deposits	332,467	－
Total	$1,845,800	$1,701,412

(2) FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	Dec. 31, 2020	Dec. 31, 2019
Restricted deposits	$131,045	－
Less: loss allowance	(－)	(－)
Total	$131,045	－
Current	$131,045	－
Non-current	－	－
Total	$131,045	－

The restricted deposit as of December 31, 2020 is repatriated and used solely for the purpose approved in accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds Act.

(3) NOTES RECEIVABLES

	Dec. 31, 2020	Dec. 31, 2019
Notes receivables	$852	$1,770
Less : loss allowance	(－)	(－)
Total	$852	$1,770

Notes receivables were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6.(22) for more details on loss allowance and Note 12 for details on credit risk.

(4) ACCOUNTS RECEIVABLES AND ACCOUNTS RECEIVABLES－AFFILIATES

(a) Details are as follows:

	Dec. 31, 2020	Dec. 31, 2019
Accounts receivables	$2,203,960	$2,481,591
Less : loss allowance	(21,634)	(26,267)
Subtotal	2,182,326	2,455,324
Accounts receivables -affiliates	229,921	229,557
Less : loss allowance	(－)	(－)
Subtotal	229,921	229,557
Total	$2,412,247	$2,684,881

(b) Accounts receivables are generally on 30-150 day terms. The total carrying amount as of December 31, 2020 and 2019 were $2,434,733 thousand and $2,712,918 thousand, respectively. Please refer to Note 6.(22) for more details on loss allowance of accounts receivables for the years ended December 31, 2020 and 2019. Please refer to Note 12 for more details on credit risk management.

(5) INVENTORIES, NET

(a) Details are as follows:

	Dec. 31, 2020	Dec. 31, 2019
Raw materials	$910,085	$921,885
Supplies	71,905	76,261
Work in progress	136,143	230,407
Finished goods	22,519	21,866
Total	$1,140,652	$1,250,419

(b)

	For the years ended December 31	
	2020	2019
Cost of inventories sold	$13,109,309	$15,635,374
Loss on a realizable value and obsolescence of inventories	11,096	54,177
Loss in inventory write-off	33,740	51,651
Inventory loss	411	1,001
Cost of Goods Sold	$13,154,556	$15,742,203

(c) As of December 31, 2020 and 2019, inventories were insured for $13,826,335 thousand and $13,182,384 thousand, respectively.

(d) No inventories were pledged.

(6) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS -NON CURRENT

	Dec. 31, 2020	Dec. 31, 2019
Financial assets designated at fair value through profit or loss：		
Redemption value of preferred stock liabilities	$6,486	－

Financial assets at fair value through profit or loss were not pledged.

(7) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-NON CURRENT

	Dec. 31, 2020	Dec. 31, 2019
Equity instrument investments measured at fair value through other comprehensive income-Non-current：		
Unlisted companies stocks	$107,232	$226,860

The Group classified certain of its financial assets as financial assets at fair value through other comprehensive income. Financial assets at fair value through other comprehensive income were not pledged.

(8) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) The group investments accounted for using the equity method are as follows:

		Dec. 31, 2020		Dec. 31, 2019	
Investee Company	Type of stock	Amount	Ownership	Amount	Ownership
Investments in associates:					
OSE PROPERTIES, INC.	Common stock	－	39.99％	－	39.99％
ATP ELECTRONICS, TAIWAN INC.	Common stock	$438,168	18.31％	$448,503	18.31％
INFOFAB, INC.	Common stock	12,710	13.32％	10,880	13.32％
SCS HIGHTECH INC.	Common stock	－	18.17％	－	18.17％
Total		$450,878		$459,383	

(b) Owing to the continue loss of OSE PROPERTIES, INC., the accumulated investment loss has made the book value of long-term investment declining to zero, the Company will no longer recognize the investment loss.

(c) In September 2006, shares of the investee company ATP were exchanged with ATP TAIWAN so that the Company would hold 15.13% ownership of ATP TAIWAN after the exchange. The Group had purchased 1,929 thousand shares of treasury stocks in February 2008. So the Group held 18.31% ownership of ATP TAIWAN.

(d) Part of the shares in long-term equity investments has been pledged to the banks as securities for bank loans granted to the Group. Please refer to Note 8 for the more details.

(e) For the years ended December 31, 2020 and 2019, the related shares of investment income from the associates were $19,960 thousand and $40,536 thousand, respectively. For the years ended December 31, 2020 and 2019, the related shares of other comprehensive income from the associates were ($4,925) thousand and ($1,096) thousand, respectively.

(f) In year 2020 and 2019, the Group obtained cash dividend from ATP TAIWAN and InfoFab Co.,Ltd., for $21,178 thousand and $0, $35,422 thousand and $1,265 thousand, respectively. They are recorded as credit to "Investments accounted for using the equity method".

(g) The Group's investments by using the equity method are not published price quotations, which are not individually material .The aggregate financial information of the Group's investments is as follows：

	Dec. 31, 2020	Dec. 31, 2019
Total assets	$539,494	$599,688
Total liabilities	$155,827	$209,478

	For the years ended December 31	
	2020	2019
Revenue	$655,904	$911,179
Profit	19,960	40,536
Other comprehensive income (loss)	(4,925)	(1,096)
Total comprehensive income	15,035	39,440

(9) PROPERTY, PLANT AND EQUIPMENT

	Dec. 31, 2020	Dec. 31, 2019
Owner occupied property, plant and equipment	$5,143,826	$6,123,791
Property, plant and equipment leased out under operating leases	141,743	140,455
Total	$5,285,569	$6,264,246

(a) Owner occupied property, plant and equipment

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of Jan.1, 2020	—	$7,058,550	$14,439,967	$4,325	$66,912	$385,547	$93,692	$22,048,993
Additions	—	—	1,943	—	274	—	247,065	249,282
Disposals	—	—	(341,050)	—	—	(3,409)	—	(344,459)
Transfers	—	60,803	372,027	—	—	7,329	(276,926)	163,233
Exchange differences	—	—	(9,485)	29	(363)	186	—	(9,633)
As of Dec. 31, 2020	—	$7,119,353	$14,463,402	$4,354	$66,823	$389,653	$63,831	$22,107,416
Depreciation and impairment:								
As of Jan.1, 2020	—	$4,550,028	$10,961,245	$3,805	$65,519	$344,605	—	$15,925,202
Depreciation	—	229,612	1,154,941	197	861	19,625	—	1,405,236
Disposals	—	—	(339,741)	—	—	(3,331)	—	(343,072)
Transfers	—	—	(13,530)	—	—	—	—	(13,530)
Exchange differences	—	—	(10,066)	27	(355)	148	—	(10,246)
As of Dec. 31, 2020	—	$4,779,640	$11,752,849	$4,029	$66,025	$361,047	—	$16,963,590

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of Jan.1, 2019	–	$6,989,653	$16,323,320	$4,446	$67,158	$381,544	$144,197	$23,910,318
Additions	–	–	4,522	–	75	533	285,611	290,741
Disposals	–	–	(2,563,330)	–	(590)	(325)	–	(2,564,245)
Transfers	–	68,897	687,154	–	595	4,437	(336,095)	424,988
Exchange differences	–	–	(11,699)	(121)	(326)	(642)	(21)	(12,809)
As of Dec. 31, 2019	–	$7,058,550	$14,439,967	$4,325	$66,912	$385,547	$93,692	$22,048,993
Depreciation and impairment:								
As of Jan.1, 2019	–	$4,327,874	$12,302,527	$3,659	$64,932	$320,402	–	$17,019,394
Depreciation	–	222,154	1,179,429	247	965	24,913	–	1,427,708
Disposals	–	–	(2,550,837)	–	(585)	(293)	–	(2,551,715)
Transfers	–	–	40,739	–	505	–	–	41,244
Exchange differences	–	–	(10,613)	(101)	(298)	(417)	–	(11,429)
As of Dec. 31, 2019	–	$4,550,028	$10,961,245	$3,805	$65,519	$344,605	–	$15,925,202
Net carrying amount:								
As of Dec. 31, 2020	–	$2,339,713	$2,710,553	$325	$798	$28,606	$63,831	$5,143,826
As of Dec. 31, 2019	–	$2,508,522	$3,478,722	$520	$1,393	$40,942	$93,692	$6,123,791

(b) Property, plant and equipment leased out under operating leases

	Buildings
Cost:	
As of Jan. 1, 2020	$279,342
Additions	—
Disposals	—
Transfers	19,503
As of Dec. 31, 2020	$298,845
Depreciation and impairment:	
As of Jan. 1, 2020	$138,887
Depreciation	4,685
Disposals	—
Transfers	13,530
As of Dec. 31, 2020	$157,102
Cost:	
As of Jan. 1, 2019	$279,342
Additions	—
Disposals	—
As of Dec. 31, 2019	$279,342
Depreciation and impairment:	
As of Jan. 1, 2019	$132,203
Depreciation	6,684
Disposals	—
As of Dec. 31, 2019	$138,887
Net carrying amounts as at:	
As of Dec. 31, 2020	$141,743
As of Dec. 31, 2019	$140,455

(c) Affects both the cash and non-cash items of investing activities：

	For the years end December 31	
Item	2020	2019
Acquisition of property, plant, and equipment expenditure:		
Increase of property, plant and equipment	$432,018	$675,819
Transfer to right-of-use assets	—	(33,861)
(Decrease) of prepayment for equipment	(9,058)	(5,938)
Decrease of payables on equipment	59,311	92,462
Cash expenditure	$482,271	$728,482

(d) Details of capitalized borrowing costs are as follows:

Item	For the years ended December 31 2020	2019
Prepayments for equipment	$3,098	$4,980
Capitalisation rate of borrowing costs	1.21%～3.02%	3.04%～3.95%

(e) As of December 31, 2020 and 2019, fixed assets were insured for $9,943,954 thousand and $10,399,936 thousand, respectively.

(f) Please refer to Note 8 for more details on property, plant and equipment under pledge.

(10) INVESTMENT PROPERTY

	Buildings
Cost：	
As of Jan. 1, 2020	$616,569
Additions	—
Exchange difference	(32,796)
As of Dec. 31, 2020	$583,773
As of Jan. 1, 2019	$670,447
Transfer from property, plant and equipment	(39,911)
Exchange difference	(13,967)
As of Dec. 31, 2019	$616,569
Depreciation and impairment:	
As of Jan. 1, 2020	$176,136
Depreciation	23,337
Exchange difference	(10,186)
As of Dec. 31, 2020	$189,287
As of Jan. 1, 2019	$188,828
Depreciation	24,304
Transfer from property, plant and equipment	(32,542)
Exchange difference	(4,454)
As of Dec. 31, 2019	$176,136
Net carrying amount:	
As of Dec.31, 2020	$394,486
As of Dec.31, 2019	$440,433

No investment properties were pledged.

The fair value of investment property is $462,414 thousand and $486,819 thousand as of December 31, 2020 and 2019, respectively. The fair value has been determined based on valuations performed by an independent appraiser and on transactions observable in the market. The investment property has no rent revenue.

(11) INTANGIBLE ASSETS

(a) As of December 31, 2020 and 2019, the cost of the computer software, original cost, accumulated amortization and amount of amortization in the book of the Group is listed as below:

	Computer software
Cost:	
As of Jan. 1, 2020	$377,535
Addition	20,316
Transfer	7,210
Other changes	(9)
Exchange differences	—
As of Dec. 31, 2020	$405,052
As of Jan. 1, 2019	$343,374
Addition	32,657
Transfer	1,519
Other changes	(15)
Exchange differences	—
As of Dec. 31, 2019	$377,535

	Computer software
Amortization and impairment:	
As of Jan. 1, 2020	$319,090
Amortization	51,256
Exchange differences	—
As of Dec. 31, 2020	$370,346
As of Jan. 1, 2019	$253,741
Amortization	65,339
Exchange differences	10
As of Dec. 31, 2019	$319,090
Net carrying amount as of:	
Dec. 31, 2020	$34,706
Dec. 31, 2019	$58,445

(b) Amortization expense of intangible assets under the statement of comprehensive income:

	For the years ended December 31	
	2020	2019
Operating costs	$23,937	$38,575
Operating expenses	$27,319	$26,764

(12) PREPAYMENTS

Detail are as follows :

	Dec. 31, 2020	Dec. 31, 2019
Current assets－prepayments		
Prepaid expenses	$55,999	$46,696
Other prepayments	8,367	6,426
Total	$64,366	$53,122
Non-current assets－prepayments for equipment：		
Prepayment for equipment	$128,499	$151,901

(13) LONG-TERM RECEIVABLES-AFFILIATES

(a) Details are as follows:

	Dec. 31, 2020	Dec. 31, 2019
Loan receivable -PROPERTIES	$88,352	$93,315
Less: loss allowance	(－)	(－)
Net	$88,352	$93,315

(b) OSE PHILIPPINES, INC. lent USD 4,387 thousand to OSE PROPERTIES Inc. in July 31, 1996. OSE PROPERTIES Inc. disposed of part of the land and returned USD 1,285 thousand in the first quarter of 2015. The principal was USD 3,102 thousand as of December 31, 2020. The interest rates for the years ended December 31, 2020 and 2019 were both 2.50%. The contract periods were 10 years and may be extended to another 10 years, if necessary.

(14) SHORT-TERM LOANS

(a) Details are as follows:

Items	Dec. 31, 2020	Dec. 31, 2019
L/C	$182,145	$315,900
Unsecured bank loans	854,841	2,057,866
Mortgage loan on machine and equipment	69,427	－
Total	$1,106,413	$2,373,766

(b) The ranges of interest rates and the due dates:

	Dec. 31, 2020	Dec. 31, 2019
Ranges of interest rates	1.33%～1.58%	1.55%～3.17%
Due dates	January 9, 2021～ December 31, 2021	January 9, 2020～ December 17, 2020

(c) As of December 31, 2020 and 2019, the Group's unused short-term lines of credits amount to $1,734,361 thousand and $1,394,036 thousand, respectively.

(d) Part of property, plant and equipment, stocks and deposits reserved for repayment are pledged as security for the Group's short-term borrowings. Please refer to Note 8 for more details.

(15) SHORT-TERM NOTES PAYABLE

(a) Details are as follows:

	Dec. 31, 2020	Dec. 31, 2019
Par value of commercial papers	—	$380,000
Less : Discount for short-term notes payable	—	(790)
Net	—	$379,210

(b) The ranges of interest rates and the due dates:

	Dec. 31, 2020	Dec. 31, 2019
Ranges of interest rates	—	1.788%～1.858%
Due dates	—	January 9, 2020～ February 27, 2020

(16) LONG-TERM LOANS

(a) Details are as follows:

Items	Dec. 31, 2020	Dec. 31, 2019
Mortgage loan	$866,446	$2,095,326
Less: Due within one year	(246,446)	(1,190,490)
Net	$620,000	$904,836

(b) The ranges of interest rates and the due dates:

	Dec. 31, 2020	Dec. 31, 2019
Ranges of interest rates	1.00%～1.55%	1.80%～3.30%
Due dates	September 25, 2021～ May 31, 2023	October 31, 2020～ August 15, 2023

(c) Part of property, plant and equipment, and deposits reserved for repayment are pledged as security for the Group's long-term borrowings. Please refer to Note 8 for more details.

(17) POST-EMPLOYMENT BENEFITS

(a) Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 are $105,763 thousand and $113,103 thousand, respectively.

(b) Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

Expenses under the defined benefit obligation for the years ended December 31, 2020 and 2019 are $57,487 thousand and $59,735 thousand, respectively.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute $70,645 thousand to its defined benefit plan during the 12 months beginning after December 31, 2020.

The average duration of the defined benefits plan obligation as of December 31, 2020 and 2019, is the end of the year of 2030 and 2029, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2020 and 2019:

	For the years ended December 31	
	2020	2019
Current period service costs	$6,424	$7,116
Net interest expense of net defined benefit liability (asset)	3,274	5,009
Prior period service costs	10,208	—
Total	$19,906	$12,125

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
Present value of the defined benefit obligation	$952,778	$1,007,077	$1,019,883
Plan assets at fair value	(568,532)	(576,227)	(523,987)
Other non-current liabilities - Accrued pension liabilities recognized on the consolidated balance sheets	$384,246	$430,850	$495,896

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of Jan. 1, 2019	$1,019,883	($523,987)	$495,896
Current period service costs	7,116	—	7,116
Net interest expense (income)	10,301	(5,292)	5,009
Subtotal	17,417	(5,292)	12,125
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(2,761)	—	(2,761)
Actuarial gains and losses arising from changes in financial assumptions	29,224	—	29,224
Experience adjustments	992	—	992
Return on plan assets	—	(18,683)	(18,683)
Subtotal	27,455	(18,683)	8,772
Payments from the plan	(57,678)	57,678	—
Contribution by employer	—	(85,943)	(85,943)
As of Dec. 31, 2019	1,007,077	(576,227)	430,850
Current period service costs	6,424	—	6,424
Net interest expense (income)	7,654	(4,380)	3,274
Prior period service costs (income) or reduction	10,208	—	10,208
Subtotal	24,286	(4,380)	19,906
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	61	—	61
Actuarial gains and losses arising from changes in financial assumptions	60,565	—	60,565
Experience adjustments	(6,468)	—	(6,468)
Return on plan assets	—	(19,428)	(19,428)
Subtotal	54,158	(19,428)	34,730
Payments from the plan	(132,743)	132,743	—
Contribution by employer	—	(101,240)	(101,240)
As at Dec. 31, 2020	$952,778	($568,532)	$384,246

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	Dec. 31, 2020	Dec. 31, 2019
Discount rate	0.42%	0.76%
Expected rate of salary increases	1.50%	1.40%

Sensitivity analysis for significant assumption:

	For the years ended December 31			
	2020		2019	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	—	$67,989	—	$50,693
Discount rate decrease by 0.5%	$75,534	—	$80,888	—
Future salary increase by 0.5%	$74,309	—	$79,937	—
Future salary decrease by 0.5%	—	$67,656	—	$50,633

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(18) PREFERRED STOCK LIABILITIES

	Dec. 31, 2020	Dec. 31, 2019
Class B preferred stocks	$1,006,485	—
Less: Due within one year	(—)	(—)
Net	$1,006,485	—

The Company passed the resolution of extraordinary general meeting on December 3, 2020 to handle the private placement of 90,090 thousand shares of Class B preferred stocks. The payment has been completed by applicant Chipbond Technology Corporation (Chipbond Technology Company) on December 16, 2020. The total amount is $999,999 thousand with the issuance price of $11.1 per share with the official issuance date of December 21, 2020. According to the issuance conditions of Class B preferred stocks, the issuance period for Class B preferred stocks are 5 years and there is a contractual obligation to deliver cash or another financial asset to the other party (holder), so the preferred stock are split into preferred stock liabilities $1,006,485 thousand and the value of recovery rights (under the financial assets measured at fair value through profit and loss) $6,486 thousand, the effective interest rate originally recognized for the preferred stock liabilities is 2%. The interest expense calculated based on the effective interest rate in 2020 was $603 thousand.

The rights and obligations and primary conditions of issuance of the Company's Class B preferred stocks are as follows:

(A) Distributions of earnings shall be handled in accordance with the Company's Articles of Incorporation. Earnings to be distributed may be distributed to Class B preferred shares of the year or the quarter and accumulated undistributed dividends. If there are no earnings or if earnings are insufficient to pay the full dividend on Class B preferred shares, distributable earnings shall be first be distributed to Class B preferred shares. Any shortfall in dividends will be made up first with future annual or quarterly earnings.

(B) The annual interest rate of dividends for Class B preferred shares is 2% which is calculated based on the issue price per share and paid in cash. The ex-dividend date of the preferred shares is authorized to be set by the board of directors. The number of dividends issued in the year or in the quarter and the number of dividends received in the year or in the quarter is calculated based on the actual number of days of issuance.

(C) If the Company's proposed distribution of dividends for common stock for the current year or current quarter exceeds the number of dividends on Class B preferred shares, holders of Class B preferred shares will not be entitled to dividends.

(D) Except for aforementioned dividends, Class B preferred shares cannot be participated in the distribution of earnings or reserves from common stock and other preferred shares.

(E) There is no contractual right to covert Class B preferred shares into common stock.

(F) Holders of Class B preferred shares do not have voting rights at common stock shareholders meeting nor do they have the voting rights to elect a director (independent directors included); however, holders of Class B preferred shares have voting rights regarding matters concerning shareholders rights of Class B preferred shares at shareholders meeting of preferred shares.

(G) The order of the Company's remaining property of Class B preferred shares is distributed to common stock and Class C preferred shares, but each share shall not exceed the issue price plus the number of unpaid dividends payable.

(H) The issuance period for Class B preferred shares is 5 years. Holders of Class B preferred shares do not have the right to demand early redemption of Class B preferred shares. However, the Company may redeem all or part of the Class B preferred shares at their original issue price at any time after the expiration of three years from the date of issuance by cash or other methods permitted by laws and regulations. The rights and obligations shall continue under the conditions of the issuance of Class B preferred shares until they are redeemed by the Company. In the year in which Class B preferred shares are to be redeemed, if the Company's shareholders' meeting has resolved to issue dividends, the dividends shall be paid up to the date when Class B preferred shares are redeemed, and shall be calculated on the basis of the actual number of issuance days in the year.

(I) Upon the issuance of new shares of common stock by cash capital increase, holders of Class B preferred shares have the same preferred stock options as common stock shareholders.

(J) Where Class B preferred shares are qualified for an early redemption or after the expiration of the issuance period, if the Company is unable to redeem all or part of Class B preferred shares due to force majeure or reasons not attributable to the Company, the rights of unredeemed preferred shares shall remain in accordance with the conditions of issuance as described in the preceding paragraph until Class C preferred shares are fully redeemed by the Company. Dividends are also calculated at the original annual interest rate and the actual extension period. The rights of the Class B preferred shares shall not be damaged as stipulated in the Company's Articles of Incorporation.

(K) Class B preferred shares are not listed for trading during the issuance period.

(19) EQUITY

(a) Common stock

i. The Company had increased capital by cash by $1,800,000 thousand with par value $10 per share and issued price $9.2 on May 30, 2007. The rights and obligations of new shares by private placement are the same as those of common shares. Ownership of shares by private placement cannot be transferred to others within three years since issuance per Security and Exchange regulations.

ii. The board of directors of the Company agreed on June 21, 2011 to increase capital by issuing common stocks for cash in order to repay loan and improve the Company financial structure. A total of 200,000 thousand shares of common stocks, with face value of $10 per share, will be issued for a total of $2,000,000 thousand. Approval has been granted by Financial Supervisory Commission on July 22, 2011 by Doc No. 1000030977. In the event of existing shareholders or employees forfeiting purchasing rights or the event of shortage of subscription of share, the board of directors will authorize the chair of directors to contact a designated person for purchases. As of August 2, 2011, the board of directors agreed stocks will be issued with the issuance price of NTD 6.4 per share with the official issuance date of September 5, 2011. As of September 19, 2011, registration for the issuance of new stocks is complete.

iii. The Board of shareholders' meeting of the Company agreed on June 29, 2018 to reduce capital $2,536,872 thousand for cover accumulated deficits in order to improve the Company's financial structure. The ratio of reduction capital was 31.4742285%, and it was declared effective by Financial Supervisory Commission on August 8, 2018. The record date for reverse split was at September 30, 2018, and the amendment of registration was completed at October 8, 2018.

iv. To reward employees, the Board of shareholders' meeting of the Company agreed on June 29 ,2018 to issue restricted stocks for employees by $50,000 thousand of common stock with par value $10 per share , and it was declared effective by Financial Supervisory Commission on June 10 , 2019.The record date for capital increase was at November 25, 2019, and the amendment of registration was completed at December 10, 2019.

v. There are 286,000 shares of common stock forfeited because of the failure to satisfy the vesting condition in restricted stocks plan. Board resolution was passed to write off the shares amounted to $2,860 thousand as well as registration.

vi. As of December 31, 2020, and 2019, the authorized capitals were $20,000,000 thousand. Issued capital were $5,570,425 thousand and $5,573,285 thousand, with 557,042,533 shares and 557,328,533 shares respectively. Each share is at a par value of NT$10.

(b) Preferred stock

The Company passed the resolution of extraordinary general meeting agreed on December 3, 2020 to handle the private placement of Class C preferred shares of 1,801,800 thousand with par value $10 per share and issued price $11.1. The Company intends to issue preferred shares through a private placement as required by Article 43-6 of the Securities and Exchange Act, and the record date for capital increase was at December 21, 2020.

In accordance with the Company's Articles of Incorporation, the rights and obligations of issuance of the preferred shares are as follows:

i. The Company's earnings distribution is handled in accordance with the Company’s Articles of Incorporation. Distributable earnings shall be distributed first to Class B preferred shares in the current year or the current quarter and accumulated undistributed dividends, then dividends shall be distributed to Class C preferred shares in the current year or quarter.
ii. The annual interest rate of dividends for Class C preferred shares is 2% which is calculated based on the issue price per share and paid in cash. The ex-dividend date of dividends of the preferred shares is authorized to be set by the board of directors. The number of dividends issued in the year or in the quarter and the number of dividends received in the year or in the quarter is calculated based on the actual number of days of issuance.
iii. If the proposed dividend for the Company's common stock in the current year or quarter exceeds the dividend amount of Class C preferred shares, the holders of Class C preferred shares shall be entitled to participate in the distribution until the number of dividends per Class C preferred share is the same as the number of the dividend per common stock.
iv. The Company has a discretionary power on the dividend distribution of Class C preferred shares. If the Company does not have earnings or insufficient earnings for distribution or if there are other necessary considerations, the Company may resolve to not distribute divides from Class C preferred shares. Such manner does not constitute an event of default and shareholders may not object. Class C preferred shares are non-cumulative, and their undistributed or under-distributed dividends will not be accumulated in subsequent years or quarters.

v. Holders of Class C preferred shares may, from the day after the issuance date of five years, be converted into common stock at the ratio of one preferred share to one common stock (conversion ratio 1:1). The rights and obligations (except for conversion restrictions and unlisted shares prescribed by laws and regulations) of the converted common stock from Class C preferred shares are the same as the Company's other issued common stock. Class C preferred shares that have been converted into common stock prior to the annual or quarterly ex-rights (dividend) date of conversion are entitled to participate in the distribution of common stock earnings and reserves in the current year or current quarter, but may not participate in dividend distributions of preferred shares in the current year or the current quarter. Class C preferred shares that have been converted into common stock prior to the annual or quarterly ex-rights (dividend) date of conversion are entitled to participate in the distribution of preferred dividend sand reserves in the current year or current quarter, but may not participate in dividend distributions of common stock and capital surplus in the current year or the current quarter. Preferred dividends and common stock dividends of the same year or quarter are distributed on a non-recurring basis.

vi. Holders of Class C preferred shares do not have voting rights at common stock shareholders meeting nor do they have the voting rights to elect a director (independent directors included); however, holders of Class C preferred shares have voting rights regarding matters concerning shareholders rights of Class C preferred shares at shareholders meeting of preferred shares.

vii. The order of the Company’s remaining property of Class C preferred shares is distributed to common stock and Class C preferred shares, but each share shall not exceed the issue price plus the number of unpaid dividends payable.

viii. There is no expiration date for Class B preferred shares. Holders of Class C preferred shares do not have the right to demand redemption of Class C preferred shares or demand the Company for an early conversion of preferred shares to common stock. However, the Company may redeem all or part of the Class C preferred shares at their original issue price at any time after the expiration of three years from the date of issuance by cash, mandatory conversion of new issue of shares or other methods permitted by laws and regulations. The rights and obligations shall continue under the conditions of the issuance of Class C preferred shares until they are redeemed by the Company. In the year in which Class C preferred shares are to be redeemed, if the Company's shareholders’ meeting has resolved to issue dividends, the dividends shall be paid up to the date when Class B preferred shares are redeemed, and shall be calculated on the basis of the actual number of issuance days in the year.

ix. Upon the issuance of new shares of common stock by cash capital increase, holders of Class C preferred shares have the same preferred stock options as common stock shareholders.

x. During the issuance period, Class C preferred shares are not listed for trading. However, where Class C preferred shares are fully or partly converted to common stock, the board of directors are authorized to apply for public trading from the competent authority in accordance with relevant regulations depending on the current situation.

(c) Additional paid-in capital

	Dec. 31, 2020	Dec. 31, 2019
Form shares of changes in equities of subsidiaries	$5,717	$5,717
The differences between the fair value of consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	16,940	16,940
Share of changes in net assets of associates and joint ventures accounted for using the equity method	(2,675)	(2,675)
Restricted stocks for employees	2,543	25,729
Premiums from preferred stocks issued	198,198	—
Total	$220,723	$45,711

i. According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them. Additional paid-in capital arising from long-term equity investment can not be used for any purpose.

ii. According to the prevailing laws and regulations, each year, the amount of capital increase transferred from capital reserve arising from premiums on issuance of capital stock and donations cannot exceed 10% of the Company’s total issued capital.

(d) Retained earnings and dividend policies

According to the Company’s original Articles of Incorporation, current year’s earnings, if any, shall be distributed in the following order:

According to the Company’s original Articles of Incorporation, the earnings distribution or offset the losses operation may be made on a quarterly basis after the close of each quarter. According to Article 228-1and Article 240-5 of company law, distribution of earnings by way of cash dividends should be approved by board of directors’ meeting and reported to shareholders’ meeting.

i. Payment of all taxes and dues;
ii. Offset prior years’ operation losses;
iii. Set aside 10% of the remaining amount as legal reserve;
iv. Set aside or reverse special reserve in accordance with the requirements for operating and law and regulations;
v. The remaining balance combined with the undistributed earnings accumulated during previous years shall be distributed to the shareholders as dividends.

The Company shall take into account the changing environment of the industry and development stage of the Company in meeting the needs of capital in the future and in establishing long-term financial planning together with satisfying the shareholders' demand for cash. The earnings distributed for the current year shall not be lower than 10% of accumulated distributable earnings and shall not be distributed if the accumulated distributable earnings is lower than 1% of contributed capital. Cash dividends distributed shall not be lower than 10% of the dividends distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Details of 2020 and 2019 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on March 10, 2021 and June 18, 2020, respectively, are as follows :

	Appropriation of earnings		Dividend per share (NT $)	
	2020	2019	2020	2019
Legal reserve	－	$53,719		
Special reserve	$88,258	18,730		
Cash dividends	－	82,849	－	$0.15

Please refer to Note 6.(24) for further details on employees' compensation and remuneration to directors.

(20) SHARE-BASED PAYMENT PLANS

Restricted stocks plan for employees

The Company issued restricted stocks for employees on November 25, 2019 at $0 per share in the amount of $50,000 thousand, totaling 5,000 thousand shares. The share price at grant date was $15.8 per share.

Restriction on the rights and vesting conditions of restricted stocks for employees is as follows:

a. The restricted stock awards the employees will obtain was kept by the designated trust institution as trustee, which the employee cannot request to return the restricted stock awards for any reasons or ways.
b. Before accomplishing the vesting conditions, the employee cannot sell, pledge, transfer, gift, set or dispose in other ways, and they have no right to be allotted or obtaining dividends. Other rights are similar with the capital that has been issued.
c. Before the employee accomplish the vesting conditions, the attendance, proposal, speaking, right of voting, and other matters associated with shareholders meeting were executed based on the trust custody contracts.
d. From the book closure date of issuance of bonus shares, cash dividends, issuance of common stock for cash, shareholders meeting regulated by Article 165-3 of company law, or other facts that has occurred to the date of rights allocation. The unrestricted stocks of the employees that have accomplished the vesting conditions during the aforementioned period still have no rights to obtain dividends or allotment.

For the years ended December 31, 2020, and 2019, the Company incurred expenses of $27,581 thousand and $4,428 thousand for the share-based payment transactions.

(21) OPERATING REVENUE

The details are as follow:

	For the years ended December 31	
	2020	2019
Revenue from contracts with customers		
Sales of IC packaging and testing service	$8,045,549	$10,101,028
Sales of electronics manufacturing service	5,612,470	6,882,860
Other operating revenue	193,890	531,257
Total	$13,851,909	$17,515,145

(a) Disaggregation of revenue

For the years ended December 31, 2020	Semiconductor Group	EMS Group	Total
Sales of IC packaging and testing service	$8,045,549	—	$8,045,549
Sales of electronics manufacturing service	—	$5,612,470	5,612,470
Other operating revenue	121,610	72,280	193,890
Total	$8,167,159	$5,684,750	$13,851,909
Timing of revenue recognition:			
Over time	$8,045,549	—	$8,045,549
At a point in time	121,610	$5,684,750	5,806,360
Total	$8,167,159	$5,684,750	$13,851,909

For the years ended December 31, 2019	Semiconductor Group	EMS Group	Total
Sales of IC packaging and testing service	$10,101,028	—	$10,101,028
Sales of electronics manufacturing service	—	$6,882,860	6,882,860
Other operating revenue	426,456	104,801	531,257
Total	$10,527,484	$6,987,661	$17,515,145
Timing of revenue recognition:			
Over time	$10,101,028	—	$10,101,028
At a point in time	426,456	$6,987,661	7,414,117
Total	$10,527,484	$6,987,661	$17,515,145

(b) Contract balances

i. Contract assets-current

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
Sales of IC packaging and testing service	$304,825	$302,982	$425,684

As of December 31, 2020 and 2019, the Group does not have an unconditional right to receive the consideration in the contract and transferred to accounts receivables at the reporting date were $304,825 thousand and $302,982 thousand, respectively.

ii. Contract liabilities-current

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
Sales of goods	$25,371	$29,439	$15,821

As of December 31, 2020 and 2019, the Group recognized $3,748 thousand and $3,989 thousand, respectively, in revenues from the contract liabilities balance at the beginning of the period.

iii. Transaction price allocated to unsatisfied performance obligations

None.

iv. Assets recognized from costs to fulfil a contract

None.

(22) EXPECTED CREDIT LOSSES/(GAINS)

	For the years ended December 31	
	2020	2019
Operating expenses-expected credit (gains) losses		
Accounts receivable and contract assets	($2,933)	$7,742
Non-operating income and expenses -expected credit (gains) losses		
Other receivable	(1,148)	1,148
Total	($4,081)	$8,890

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its contract assets and accounts receivables at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2020 and 2019 are as follow:

The Group considers the grouping of contract assets and accounts receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follow:

As of December 31, 2020

Semiconductor Group

	Not yet due (Note)	Overdue: Within 30 days	31-60 days	61-90 days	91-180 days	After 181 days	Total
Gross carrying amount	$1,838,042	$190,670	$23,678	—	—	$1,911	$2,054,301
Loss ratio	0%~0.66%	0%~3.7%	24.59%	50.49%	67.48%	100%	
Lifetime expected credit losses	5,639	7,028	5,822	—	—	1,911	20,400
Carrying amount of trade receivables	$1,832,403	$183,642	$17,856	—	—	—	$2,033,901

EMS Group

	Not yet due (Note)	Overdue: Within 30 days	31-60 days	61-90 days	91-180 days	After 181 days	Total
Gross carrying amount	$660,420	$15,874	$8,707	—	$86	$170	$685,257
Loss ratio	0%~0.04%	0.03%~1.20%	7.13%~7.34%	8.69%~17.58%	35.49%~57.28%	100%	
Lifetime expected credit losses	264	116	635	—	49	170	1,234
Carrying amount of trade receivables	$660,156	$15,758	$8,072	—	$37	—	$684,023

As of December 31, 2019

Semiconductor Group

	Not yet due (Note)	Overdue: Within 30 days	31-60 days	61-90 days	91-180 days	After 181 days	Total
Gross carrying amount	$1,613,762	$131,993	$11,053	$11,059	$5,995	$4,139	$1,778,001
Loss ratio	0%~0.35%	0%~2.13%	0%~19.86%	0%~50.03%	0%~69.01%	100%	
Lifetime expected credit losses	3,121	2,608	2,160	5,533	4,137	4,139	21,698
Carrying amount of trade receivables	$1,610,641	$129,385	$8,893	$5,526	$1,858	—	$1,756,303

EMS Group

	Not yet due (Note)	Overdue: Within 30 days	31-60 days	61-90 days	91-180 days	After 181 days	Total
Gross carrying amount	$1,151,163	$50,356	$24,111	$8,818	$2,009	$1,442	$1,237,899
Loss ratio	0%~0.04%	0%~1.55%	0%~4.01%	0%~14.05%	0%~25%	100%	
Lifetime expected credit losses	458	714	769	804	382	1,442	4,569
Carrying amount of trade receivables	$1,150,705	$49,642	$23,342	$8,014	$1,627	—	$1,233,330

(Note): The Group’s note receivables are not overdue.

The movement in the provision for impairment of contract assets, note receivables and trade receivables for the years ended December 31, 2020 and 2019 is as follows:

	Contract assets	Notes receivables	Accounts receivables
Bal. as of Jan. 1, 2020	－	－	$26,267
Addition/(reversal) for the current period	－	－	(2,933)
Write off uncollectible accounts	－	－	(1,670)
Exchange differences	－	－	(30)
Bal. as of Dec. 31, 2020	－	－	$21,634
Bal. as of Jan. 1, 2019	－	－	$18,529
Addition/(reversal) for the current period	－	－	7,742
Exchange differences	－	－	(4)
Bal. as of Dec. 31, 2019	－	－	$26,267

(23) LEASES

A. Group as a lessee

The Group leases various properties, including real estate such as land and buildings, transportation equipment and other equipment. The lease terms range from 3 to 51 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

The carrying amount of right-of-use assets

	Dec. 31, 2020	Dec. 31, 2019
Land	$222,995	$217,504
Buildings	17,064	27,550
Transportation equipment	4,648	8,793
Total	$244,707	$253,847

For the years ended December 31, 2020 and 2019, the Group's additions to right-of-use assets amounting to $24,152 thousand and $86,031 thousand.

II. Lease liabilities

	Dec. 31, 2020	Dec. 31, 2019
Current	$26,895	$25,725
Non-current	210,089	218,681
Lease liabilities	$236,984	$244,406

Please refer to Note 6.(25)(d) for the interest on lease liabilities recognized for the years ended December 31, 2020 and 2019 and refer to Note 12.(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31	
	2020	2019
Land	$15,044	$15,255
Buildings	10,248	10,199
Transportation equipment	4,288	4,679
Other equipment	—	687
Total	$29,580	$30,820

(c) Income and costs relating to leasing activities

	For the years ended December 31	
	2020	2019
The expenses relating to short-term leases	$4,167	$10,587
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	3,324	3,396

For the rent concession arising as a direct consequence of the covid-19 pandemic, the Group recognized in other income for the years ended December 31, 2020 were $1,471 thousand, to reflect changes in lease payments that arise from such rent concession to which the Group has applied the practical expedient.

(d) Cash outflow relating to leasing activities

For the years ended December 31, 2020 and 2019, the Group’s total cash outflows for leases amounting to $39,007 thousand and $44,033 thousand.

B. Group as a lessor

Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended December 31	
	2020	2019
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$19,564	$24,625

Please refer to Note 6.(9) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2020 and 2019 are as follow:

	Dec. 31, 2020	Dec. 31, 2019
Not later than one year	$7,867	$24,092
Later than one year but not later than two years	6,688	21,610
Later than two years but not later than three years	4,254	14,296
Later than three years but not later than four years	3,191	4,254
Later than four years but not later than five years	−	3,191
Later than five years	−	−
Total	$22,000	$67,443

(24) SUMMARY STATEMENTS OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION

	For the years ended December 31					
	2020			2019		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$2,265,282	$438,545	$2,703,827	$2,735,029	$500,697	$3,235,726
Pension	103,384	22,285	125,669	104,588	20,819	125,407
Labor and health insurance	260,174	46,747	306,921	300,198	46,493	346,691
Other employee benefits expense	245,234	47,356	292,590	166,970	55,098	222,068
Depreciation	1,374,003	90,344	1,464,347	1,398,951	92,074	1,491,025
Amortization	23,937	27,319	51,256	38,575	26,764	65,339

According to the resolution, the employee's compensation and remuneration to directors is based on the current year's earnings, which should be used first to cover accumulated deficit, if any, and then the remaining balance shall be distributed: 8%~12% as employees' compensation, and no more than 3% as remuneration to directors.

The distribution ratio of employee's compensation and remuneration to directors and employee's compensation may be made in the form of stocks or cash, which shall be determined by a resolution adopted by a majority vote at a board of directors meeting attended by two-thirds or more of the directors and be reported at a shareholders' meeting. Cash or stock dividends as bonus to employees shall only be given to employees who satisfy certain conditions.

The Company was net loss before tax for the years ended December 31, 2020; therefore, no compensation for employees and remuneration of directors was accrued.

Based on the profit of the years ended December 31, 2019, the Company estimated the employees' compensation and remuneration to directors amounts to $60,921 thousand and $11,423 thousand, respectively, which are accounted for as salary expense.

No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the years ended December 31, 2019.

As of December 31, 2020 and 2019, the total number of employees of the Group were 5,701 and 6,757 respectively.

Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

(25) NON-OPERATING INCOME AND EXPENSES

(a) Interest income

	For the years ended December 31	
	2020	2019
Financial assets measured at amortized cost	$4,892	$5,951

(b) Other income

	For the years ended December 31	
	2020	2019
Rental income	$19,564	$24,626
Other income	56,687	19,887
Total	$76,251	$44,513

(c) Other gains and losses

	For the years ended December 31	
	2020	2019
Gains on disposal of property, plant and equipment	$2,297	$36,367
Foreign exchange (losses), net	(83,930)	(48,117)
Other losses	(980)	(2,249)
Total	($82,613)	($13,999)

(d) Finance costs

	For the years ended December 31	
	2020	2019
Interest on borrowings from bank	($70,753)	($110,459)
Interest on lease liabilities	(5,275)	(5,232)
Interest on borrowings from others	(185)	(41)
Dividends on preferred stock liabilities	(603)	—
Total	($76,816)	($115,732)

(26) COMPONENTS OF OTHER COMPREHENSIVE INCOME

For the years ended December 31, 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	($34,730)	—	($34,730)	$6,946	($27,784)
Unrealized gains (losses) from equity instruments investment measured at fair value through other comprehensive income	(119,628)	—	(119,628)	23,926	(95,702)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating of foreign operation	(23,475)	—	(23,475)	4,695	(18,780)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	272	—	272	—	272
Total of other comprehensive income	($177,561)	—	($177,561)	$35,567	($141,994)

For the years ended December. 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	($8,772)	—	($8,772)	$1,754	($7,018)
Unrealized gains (losses) from equity instruments investment measured at fair value through other comprehensive income	(8,018)	—	(8,018)	416	(7,602)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating of foreign operation	(18,965)	—	(18,965)	3,793	(15,172)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,081	—	1,081	—	1,081
Total of other comprehensive income	($34,674)	—	($34,674)	$5,963	($28,711)

(27) INCOME TAX

A. The major components of income tax (expense) income are as follows:

(a) Income tax (expense) income recognized in profit or loss

	For the years ended December 31	
	2020	2019
Current income tax (expense):		
Current income tax charge	($14,303)	($1,617)
Adjustments in respect of current income tax of prior periods	—	(1,017)
Deferred tax (expense):		
Deferred tax (expense) relating to origination and reversal of temporary differences	(8,612)	(3,764)
Deferred tax (expense) income relating to origination and reversal of tax loss and tax credit	—	(141,936)
Others	—	(299)
Total income tax (expense)	($22,915)	($148,633)

(b) Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2020	2019
Deferred tax income:		
Remeasurements of defined benefit plans	$6,946	$1,754
Unrealized (gains) losses from equity instruments investments measured at fair value through other comprehensive income	23,926	416
Exchange differences resulting from translating of a foreign operations	4,695	3,793
Income tax relating to components of other comprehensive income	$35,567	$5,963

B. Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31	
	2020	2019
Accounting profit (loss) before tax from continuing operations	($243,208)	$736,593
At parent company statutory income tax rate	48,641	(147,319)
Effect of different tax rates applicable to OSE and its subsidiaries	5,284	(1,099)
Tax effect of revenues exempt from taxation	5,106	4,013
Tax effect of expenses not deductible for tax purposes	(352)	—
Tax effect of deferred tax assets/liabilities	(64,203)	3,042
Other adjustment due to taxation	(5,417)	(6,123)
Adjustments in respect of current income tax of prior periods	—	(1,017)
Withholding tax of repatriated offshore funds	(12,118)	—
Exchange adjustments	144	(130)
Total income tax (expense) benefit recognized in profit or loss	($22,915)	($148,633)

C. Deferred tax assets (liabilities) relate to the following:

For the years ended December 31, 2020

	Beginning balance as of Jan. 1, 2020	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange adjustments	Ending balance as of Dec. 31, 2020
Temporary differences					
Unrealized exchange gains and losses	$1,034	$3,610	—	—	$4,644
Loss on inventory obsolescence	60,961	(3,103)	—	—	57,858
Investments accounted for using the equity method	1,138,423	(39,069)	$4,695	—	1,104,049
Unrealized (gains) losses from financial assets measured at fair value through other comprehensive income	(31,272)	—	23,926	—	(7,346)
Loss allowance	230	(230)	—	—	—
Impairment of assets	2,109	—	—	—	2,109
Non-current liability – Defined benefit Liability	87,829	(16,267)	6,946	—	78,508
Compensated absences	5,236	1,013	—	—	6,249
Other	17,390	(96)	—	—	17,294
Unused tax losses	234,725	45,530	—	$23	280,278
Deferred tax (expense)/income		($8,612)	$35,567	$23	
Net deferred tax assets/(liabilities)	$1,516,665				$1,543,643
Reflected in balance sheet as follows:					
Deferred tax assets	$1,547,937				$1,550,989
Deferred tax liabilities	$31,272				$7,346

For the years ended December 31, 2019

	Beginning balance as of Jan. 1, 2019	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange adjustments	Ending balance as of Dec. 31, 2019
Temporary differences					
Unrealized exchange gains and losses	($1,951)	$2,985	—	—	$1,034
Loss on inventory obsolescence	49,774	11,187	—	—	60,961
Investments accounted for using the equity method	1,139,737	(5,107)	$3,793	—	1,138,423
Unrealized (gains) losses from financial assets measured at fair value through other comprehensive income	(31,688)	—	416	—	(31,272)
Loss allowance	—	230	—	—	230
Impairment of assets	2,109	—	—	—	2,109
Non-current liability – Defined benefit Liability	99,180	(13,105)	1,754	—	87,829
Compensated absences	4,651	585	—	—	5,236
Other	17,929	(539)	—	—	17,390
Unused tax losses	374,783	(139,998)	—	($60)	234,725
Deferred tax (expense)/income		($143,762)	$5,963	($60)	
Net deferred tax assets/(liabilities)	$1,654,524				$1,516,665
Reflected in balance sheet as follows:					
Deferred tax assets	$1,688,163				$1,547,937
Deferred tax liabilities	$33,639				$31,272

D. The following table contains information of the unused tax losses of the Group:

Year	Tax losses for the period	Unused tax losses as of Dec. 31, 2020	Unused tax losses as of Dec. 31, 2019	Expiration year	Note
2017	$1,155,026	$958,742	$958,742	2027	Assessed
2018	498,015	498,015	498,015	2028	Non-assessed
2019	6,461	6,461	7,756	2029	Assessed
2020	256,215	256,215	—	2030	Non-assessed
	Total	$1,719,433	$1,464,513		

E. Unrecognized deferred tax assets

As of December 31, 2020 and 2019, deferred tax assets that have not been recognized as they may not be used to offset taxable profits are $111,130 and $58,732 thousand respectively.

F. The assessment of income tax returns

As of December 31, 2020 the assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2017

(28) EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible bonds payable) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31 2020	For the years ended December 31 2019
(a) Basic (losses) earnings per share		
(Loss) Profit attributable to ordinary equity holders of the Company (in thousand NT$)	($266,123)	$587,960
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	552,467	552,329
Basic (losses) earnings per share (NT$)	($0.48)	$1.06

	For the years ended December 31	
	2020	2019
(b) Diluted (losses) earnings per share		
(Loss) Profit attributable to ordinary equity holders of the Company (in thousand NT$)	($266,123)	$587,960
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	552,467	552,329
Effect of dilution:		
Employee compensation－stock (in thousands)	－	4,102
Weighted average number of ordinary shares outstanding after dilution (in thousands)	552,467	556,431
Diluted (losses) earnings per share (NT$)	($0.48)	$1.06

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements. In addition, the Company was net loss for the years ended December 31, 2020, so there was no dilution effect on the earnings per share.

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
ATP ELECTRONICS TAIWAN INC.(ATP)	Associate
INFOFAB, INC.(INFOFAB)	Associate
OSE PROPERTIES, INC.(PROPERTIES)	Associate
OAE TECHNOLOGY, INC.(OAE)	Other related party (No longer listed as a related party in the fourth quarter in 2020)
SCREENBEAM, INC.(SCREENBEAM)	Other related party (No longer listed as a related party in the fourth quarter in 2020)
INFOACTION TECHNOLOGY, INC. (INFOACTION)	Other related party (No longer listed as a related party in the fourth quarter in 2020)
GOLFWARE INC.(GOLFWARE)	Other related party (No longer listed as a related party in the fourth quarter in 2020)
PHISON ELECTRONICS CORPORATION (PHISON)	Legal Director of the Company
LONGSYS ELECTRONICS (TAIWAN) CO., LTD. (LONGSYS)	Legal Director of the Company (No longer listed as a related party in the third quarter in 2019)
LONGSYS (HK) ELECTRONICS CO., LTD. (LONGSYS)	Associate of Legal Director of the Company (No longer listed as a related party in the third quarter in 2019)
CHIPBOND TECHNOLOGY CORPORATION (CHIPBOND)	The investor of the Company under the equity method

(1)Significant transactions with related parties:

(a) Sales

	For the years ended December 31	
	2020	2019
Associates	$137,373	$216,110
PHISON	1,760,738	2,332,055
LONGSYS	—	748,726
Other related parties	7,688	16,616
Total	$1,905,799	$3,313,507

The sales price to the above related parties was determined through mutual agreement based on the market rates. The details of credit period are 30～60 days. The outstanding balance at December 31, 2020 and 2019 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(b) Purchase

	For the years ended December 31	
	2020	2019
ATP	—	$1,162
Key management personal of the Group	$472	74
INFOACTION	1,916	8,817
Total	$2,388	$10,053

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers.

(c) Accounts Receivable

	Dec. 31, 2020	Dec. 31, 2019
ATP	$21,643	$32,904
PHISON	208,278	194,116
Other related parties	—	2,537
Less : loss allowance	(—)	(—)
Total	$229,921	$229,557

(d) Other Receivable

	Dec. 31, 2020	Dec. 31, 2019
Associates	$1,293	$2,778
Key management personnel of the Group	176	—
PROPERTIES	46,085	47,657
Total	$47,554	$50,435

(e) Accounts Payable

	Dec. 31, 2020	Dec. 31, 2019
INFOFAB (Note)	$1,268	$36,587
PHISON	265	70
Associates	20	—
Other related parties	—	1,826
CHIPBOND	933	—
Total	$2,486	$38,483

(Note): The payments are the purchase of computer software.

(f) Lease

Rental income	For the years ended December 31	
	2020	2019
ATP	$4,258	$4,258
INFOFAB	2,937	2,940
Other related parties	32	42
Associates	184	—
Total	$7,411	$7,240

(g) Transaction of properties

For the years ended December 31, 2020 :

Counterparty	Property	Amount	Gain (loss) on sales of assets	The basis of transaction price
Purchase				
INFOFAB	Computer software	$12,223	Not applicable	Negotiate
Associates	Machinery equipment	285	Not applicable	Negotiate
	Total	$12,508		

For the years ended December 31, 2019 :

Counterparty	Property	Amount	Gain (loss) on sales of assets	The basis of transaction price
Purchase				
INFOFAB	Other equipment	$2,224	Not applicable	Negotiate
INFOFAB	Computer software	15,887	Not applicable	Negotiate
	Total	$18,111		

(h) Intercompany borrowing

Related parties	Dec. 31, 2020 Maximum amount	Amount	Interest rates	Interest income (expense)
Amount lent to: (included in long-term receivables-affiliates accounts)				
PROPERTIES	$88,352 (USD 3,102 thousand)	$88,352 (USD 3,102 thousand)	2.50%	$2,289

Related parties	Dec. 31, 2019 Maximum amount	Amount	Interest rates	Interest income (expense)
Amount lent to: (included in long-term receivables-affiliates accounts)				
PROPERTIES	$93,315 (USD 3,102 thousand)	$93,315 (USD 3,102 thousand)	2.50%	$2,384

(i) Compensation of key management personnel

	For the years ended December 31 2020	2019
Short-term employee benefits	$39,632	$64,055
Post-employment benefits	783	879
Share-Based Payment	3,052	710
Total	$43,467	$65,644

For details of total compensation paid to the Company’s key management personnel, please refer to the annual report for the Company.

(j) Other disclosures

i. As of December 31, 2020 and 2019, interest receivables from PROPERTIES amounted to $46,085 thousand and $47,657 thousand, respectively, which were included in other receivable-affiliates accounts.

ii. For the years ended December 31, 2020 and 2019, the Group paid $0 and $6,489 thousand, $40,428 thousand and $89,288 thousand service fees to maintain information system of INFOFAB, respectively, which are accounted for as maintenance expenses and computer operating expenses. As of December 31, 2020 and 2019, the unpaid maintenance expenses amounted to $1,268 thousand and $36,587 thousand, respectively, which were recorded under accounts payable – affiliates-account.

iii. Due to the issuance of preferred stock liabilities in 2020, the Group has to pay the interest expense amounted to $603 thousand to CHIPBOND TECHNOLOGY. The unpaid interest expenses amounted to $603 thousand were recorded under the account of other payable – affiliates.

8. ASSETS PLEDGED AS SECURITY

The following table lists assets of the Group pledged as security:

	Carrying amount		
Assets pledged for security	Dec. 31, 2020	Dec. 31, 2019	Secured liabilities details
Other financial assets–current–time deposits	$6,550	$46,214	Short & Long-term borrowings
Other financial assets–current–deposits reserved for repayment	20,005	108,012	Short & Long-term borrowings
Investments accounted for using the equity method –ATP	—	388,360	Short-term borrowings
Property, plant and equipment–Buildings	828,872	860,389	Short & Long-term borrowings
Property, plant and equipment–Machinery and equipment	1,445,936	2,096,755	Short & Long-term borrowings
Property, plant and equipment–Assets leased to others Buildings	3,130	139,225	Long-term borrowings
Refundable deposits-time deposits	145,300	131,500	Customs Guarantee or others
Total	$2,449,793	$3,770,455	

9.COMMITMENTS AND CONTINGENCIES

(1) Guarantee given by the bank for the payment of input tax imposed for sales from a tax free zone to non-tax free zone amounted to $400,000 thousand.

(2) The Company issued promissory notes of $4,745,928 thousand as guarantees for bank loans.

(3) The Company issued promissory notes of $15,108 thousand as guarantee for project.

(4) The Company has acted as a subcontractor for processing electronic products and provided storage services for outsiders. As of December 31, 2020, the Company kept the processed electronic products of $10,162,827 thousand and raw materials of $466,664 thousand on custodian.

(5) As of December 31, 2020, the Company had opened an unused letter of credit amounting to USD 480 thousand.

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

To make the group's resources utilized effectively and generate the shareholders' maximum profits, the board resolution was passed to close down the subsidiary, OSE USA Inc., on January 26, 2021 as a result of the rapid changes of global business environments as well as the negative impact of COVID-19.

12. FINANCIAL INSTRUMENTS

(1) Categories of financial instruments

Financial assets

	Dec. 31, 2020	Dec. 31, 2019
Financial assets at fair value through profit or loss:	$6,486	—
Financial assets at fair value through other comprehensive income	107,232	$226,860
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	1,845,437	1,701,205
Financial assets measured at amortized cost	131,045	—
Notes, accounts and other receivables	2,491,403	2,768,130
Other financial assets	26,555	154,226
Long-term receivables-Affiliates	88,352	93,315
Subtotal	4,582,792	4,716,876
Total	$4,696,510	$4,943,736

Financial liabilities

	Dec. 31, 2020	Dec. 31, 2019
Financial liabilities at amortized cost:		
Short-term borrowings	$1,106,413	$2,373,766
Short-term notes payable	—	379,210
Notes, accounts and other payable	3,132,178	4,204,848
Long-term loans (including of current portion)	866,446	2,095,326
Lease liabilities	236,984	244,406
Preferred stock liabilities	1,006,485	—
Total	$6,348,506	$9,297,556

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

(a)Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD and foreign currency JPY.

(b)Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

(c)Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities are classified under held for trading financial assets or available-for-sale financial assets, while unlisted equity securities are classified as available-for-sale. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

(d)Risks of pre-tax Sensitivity analysis are as follows:

For the years ended December 31, 2020

Key risk	Variation	Sensitivity of profit and loss	Sensitivity of equity
Foreign currency risk	NTD/USD Foreign currency ＋/－ 1%	＋/－ 15,945 thousand	－
	NTD/JPY Foreign currency ＋/－ 1%	－/＋ 1,264 thousand	－
Interest rate risk	Market rate ＋/－ 10 fundamental proposition	＋/－ 1,973 thousand	－
Equity price risk	Market price ＋/－ 10 fundamental proposition	－	＋/－ 1,072 thousand

For the years ended December 31, 2019

Key risk	Variation	Sensitivity of profit and loss	Sensitivity of equity
Foreign currency risk	NTD/USD Foreign currency +/− 1%	+/− 16,377 thousand	−
	NTD/JPY Foreign currency +/− 1%	+/− 373 thousand	−
Interest rate risk	Market rate +/− 10 fundamental proposition	+/− 4,469 thousand	−
Equity price risk	Market price +/− 10 fundamental proposition	−	+/− 2,269 thousand

Please refer to Note 12.(7) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2020 and 2019, amounts receivables from top ten customers represent 81.91% and 83.69% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of Dec. 31, 2020					
Borrowings	$1,353,972	$620,000	—	—	$1,973,972
Lease liabilities	31,588	43,960	35,318	$188,305	299,171
Preferred stock liabilities	603	40,000	40,000	1,019,451	1,100,054
As of Dec. 31, 2019					
Borrowings	$3,567,916	$867,994	$36,842	—	$4,472,752
Short-term notes payable	379,210	—	—	—	379,210
Lease liabilities	31,050	53,997	31,299	189,011	305,357

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the years ended December 31, 2020:

	As of Jan. 1, 2020	Cash flows	Foreign exchange movement	Others	As of Dec. 31, 2020
Short-term borrowings	$2,373,766	($1,267,486)	—	$133	$1,106,413
Long-term borrowings	2,095,326	(1,233,296)	—	4,416	866,446
Lease liabilities	244,406	(27,344)	($3,214)	23,136	236,984
Refundable deposits	3,568	(49)	—	—	3,519
Short-term notes payable	379,210	(379,210)	—	—	—
Preferred stock liabilities	—	999,999	—	6,486	1,006,485

Reconciliation of liabilities for the years ended December 31, 2019:

	As of Jan. 1, 2019	Cash flows	Foreign exchange movement	Others	As of Dec. 31, 2019
Short-term borrowings	$2,806,857	($433,155)	—	$64	$2,373,766
Long-term borrowings	3,053,515	(962,010)	—	3,821	2,095,326
Lease liabilities	241,426	(30,050)	($1,929)	34,959	244,406
Refundable deposits	3,522	46	—	—	3,568
Short-term notes payable	349,610	29,600	—	—	379,210

(7) Fair values of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

i. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

Other than cash and cash equivalents, accounts receivables, accounts payable and other current liabilities whose carrying amount approximate their fair value, the fair value of the Group's financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying amount	
	Dec. 31, 2020	Dec. 31, 2019
Financial Assets		
Long-term receivables-affiliates	$88,352	$93,315
Financial liabilities		
Long-term borrowings	$866,446	$2,095,326
Lease Liabilities	$236,984	$244,406
Preferred stock liabilities	$1,006,485	—

	Fair Value	
	Dec. 31, 2020	Dec. 31, 2019
Financial Assets		
Long-term receivables-affiliates	$88,352	$93,315
Financial liabilities		
Long-term borrowings	$866,446	$2,095,326
Lease Liabilities	$236,984	$244,406
Preferred stock liabilities	$1,006,485	—

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy:

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities:

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Redemption value of preferred liabilities	－	－	$6,486	$6,486
Financial assets at fair value through other comprehensive income				
Equity instrument	－	$18,858	$88,374	$107,232

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument	－	－	$226,860	$226,860

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	At fair value through profit or loss	At fair value through other comprehensive income
	Derivative financial instruments	Stock
Beginning balance as of Jan. 1, 2020	－	$226,860
Recognized in other comprehensive income	－	(119,628)
Transfer out of Level 3	－	(18,858)
Acquisition/issues in 2020	$6,486	－
Ending balance as of Dec. 31, 2020	$6,486	$88,374

	At fair value through profit or loss	At fair value through other comprehensive income
	Derivative financial instruments	Stock
Beginning balance as of Jan. 1, 2019	－	$234,878
Recognized in other comprehensive income	－	(8,018)
Transfer out of Level 3	－	－
Ending balance as of Dec. 31, 2019	－	$226,860

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

December 31, 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets :					
Financial assets at fair value through profit or loss					
Derivative financial instruments	Approach of interest rates assessment	Discount rate	1.6972%	The higher the discount rate, the lower the fair value of the stocks	1% increase (decrease) in the discount rate would result in (decrease) increase in the Company’s profit or loss by $6,216 thousand and $18,468 thousand.
Financial assets at fair value through other comprehensive income					
Stocks	(1)Market approach－P/E (2)Market approach－P/B	Discount for lack of marketability	20.00％ ~25.00％	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company’s equity by $997 thousand.

December 31, 2019

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	(1)Market approach－P/E (2)Market approach－P/S (3)Option	(1)Discount rate (2)Discount for lack of marketability	11.59％ ~25.06％	(1) The higher the discount rate, the lower the fair value of the stocks (2)The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's equity by $2,376 thousand.

(c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	－	－	$462,414	$462,414
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Long-term loans	－	$866,446	－	866,446
Lease liabilities	－	236,984	－	236,984
Preferred stock liabilities	－	1,006,485	－	1,006,485

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	—	—	$486,819	$486,819
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Long-term loans	—	$2,095,326	—	2,095,326
Lease liabilities	—	244,406	—	244,406

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	Dec. 31, 2020		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$110,037	28.48	$3,133,854
JPY	96,160	0.2766	26,598
Non-monetary items:			
USD	3,765	28.48	107,227
Financial liabilities			
Monetary items:			
USD	54,019	28.48	1,538,461
JPY	553,061	0.2766	152,977

	Dec. 31, 2019		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$132,199	30.08	$3,976,546
JPY	386,287	0.2771	107,040
Non-monetary items:			
USD	7,542	30.08	226,863
Financial liabilities			
Monetary items:			
USD	77,754	30.08	2,338,840
JPY	251,559	0.2771	69,707

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

The Group's entities functional currencies are various, and hence are not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gains (losses) were ($83,930) thousand and ($48,117) thousand for the years ended December 31, 2020 and 2019, respectively.

(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. SEGMENT INFORMATION

For management purposes, the Company is organized into business units based on its products and services and has two reportable segments as follows:

Semiconductor Group: Mainly provides IC packaging and testing services.
EMS Group: Provides professional electronics manufacturing services.

No operating segments have been aggregated to form the above reportable operating segments.
Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group finance costs, finance income and income taxes are managed on a group basis and are not allocated to operating segments.

The transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

For the years ended December 31, 2020

	Semiconductor Group	EMS Group	Other	Adjustment and Eliminations (Note 1 and Note 2)	Consolidated
Revenue					
External customer	$8,167,159	$5,684,750	—	—	$13,851,909
Inter-Segment	54,706	270,033	—	($324,739)	—
Total Revenue	$8,221,865	$5,954,783	—	($324,739)	$13,851,909
Segment Profit	($371,040)	$64,333	($7,092)	$70,591	($243,208)

(Note 1)：Inter-segment revenues are eliminated on consolidation.
(Note 2)：The profit for each operating segment does not include income tax expense.

For the years ended December 31, 2019

	Semiconductor Group	EMS Group	Other	Adjustment and Eliminations (Note 1 and Note 2)	Consolidated
Revenue					
External customer	$10,527,484	$6,987,661	—	—	$17,515,145
Inter-Segment	82,455	831,641	—	($914,096)	—
Total Revenue	$10,609,939	$7,819,302	—	($914,096)	$17,515,145
Segment Profit	$404,048	$325,144	$15,855	($8,454)	$736,593

(Note 1)：Inter-segment revenues are eliminated on consolidation.
(Note 2)：The profit for each operating segment does not include income tax expense.

(1) Geographical information:

A. Sales to other than consolidated entities (Sales are presented by customers' country)

	For the years ended December 31	
	2020	2019
Taiwan	$6,003,025	$6,000,263
U.S.A.	3,270,272	3,766,910
China	1,705,946	2,254,742
Others	2,872,666	5,493,230
Total	$13,851,909	$17,515,145

B. Non-current assets

	Dec. 31, 2020	Dec. 31, 2019
Taiwan	$5,910,083	$7,061,852
Philippines	457,053	508,450
U.S.A.	216,930	226,783
China	73,098	64,328
Total	$6,657,164	$ 7,861,413

(2) Major customers

Sales to customers representing over 10% of the Company's consolidated net sales are as follows:

	For the years ended December 31			
	2020		2019	
Customers	Amounts	%	Amounts	%
A	$3,985,770	28.77%	$4,535,396	25.89%
B	$2,894,881	20.90%	$4,288,955	24.49%
C	$1,760,738	12.71%	$2,332,055	13.31%

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安永聯合會計師事務所

80052 高雄市中正三路2號17樓
17F, No. 2, Zhongzheng 3rd Road
Kaohsiung City, Taiwan, R.O.C.

Tel: 886 7 238 0011
Fax: 886 7 237 0198
www.ey.com/taiwan

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, 2020 and 2019, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the financial statements, including 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, 2020 and 2019, and their financial performance and cash flows for the years ended December 31, 2020 and 2019, 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.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2020 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

   Sales revenue amounted to $13,567,698 thousand which were highly accounted for by major customers were material to the individual financial statement as a whole for the year ended December 31, 2020. Therefore, we consider the occurrence of sales as key audit matters to address the risk.

   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 2020 and assessing if their backgrounds, transaction amounts were consistent with their scale ; verifying the occurrence of sales by confirmations; testing the journal entries to ensure the transactions to be recorded properly; selecting samples to perform test of details and reviewing significant contact 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 $1,549,088 thousand, for the years ended December 31, 2020. 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 $33,476 thousand and $96,341 thousand, representing 0.23% and 0.61% of parent company only total assets as of December 31, 2020 and 2019, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to ($59,838) thousand and ($25,100) thousand, representing 24.38% and (3.42%) of the parent company only net income and net loss before tax for the years ended December 31, 2020 and 2019, respectively. The share of other comprehensive income of associates and joint ventures were ($2,444) thousand and ($57) for the years ended December 31, 2020 and 2019.

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.

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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 2020 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 10, 2021

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, 2020 and 2019

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4, 6.(1)	$1,641,549	11	$1,491,029	9
Financial assets measured at amortized cost-Current	4, 6.(2)	131,045	1	—	—
Contract assets-Current	4, 6.(20)	304,825	2	302,982	2
Notes receivable	4, 6.(3)	852	—	1,770	—
Accounts receivable-Non Affiliates	4, 6.(4)	2,137,854	15	2,421,804	15
Accounts receivable-Affiliates	4, 6.(4), 7	229,921	2	229,557	2
Other receivable-Non Affiliates	4	26,444	—	28,562	—
Other receivable-Affiliates	4, 7	22,621	—	5,811	—
Inventories	4, 6.(5)	1,017,582	7	1,049,757	7
Prepayments	4, 6.(11)	59,086	1	45,339	—
Other current assets		12,222	—	24,611	—
Other financial assets-Current	8	26,555	—	154,226	1
Total current assets		5,610,556	39	5,755,448	36
Non-current assets					
Financial asset at fair value through profit or loss-Non current	4, 6.(6)	6,486	—	—	—
Financial assets at fair value through other comprehensive income-Non current	4, 6.(7)	107,232	1	226,860	2
Investments accounted for using the equity method	4, 6.(8), 8	909,446	6	1,117,589	7
Property, plant, and equipment	4, 6.(9), 8	5,246,877	37	6,220,127	39
Right-of-use asset	4, 6.(22)	166,568	1	159,535	1
Intangible assets	4, 6.(10)	34,553	—	58,192	—
Deferred income tax assets	4, 6.(26)	1,549,088	11	1,546,059	10
Prepayment for equipment	4, 6.(11)	107,304	1	151,424	1
Refundable deposits	8	147,340	1	136,251	1
Long-term receivables-Affiliates	4, 6.(12), 7	476,298	3	496,399	3
Other non-current assets	4	2,176	—	4,281	—
Total non-current assets		8,753,368	61	10,116,717	64
Total assets		$14,363,924	100	$15,872,165	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, 2020 and 2019

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
Current liabilities					
Short-term loans	6.(13)	$1,101,572	8	$2,373,766	15
Short-term notes payable	6.(14)	–	–	379,210	2
Contract Liabilities-Current	4, 6.(20)	25,365	–	27,845	–
Notes payable		14,608	–	54,503	–
Accounts payable-Non Affiliates		2,210,032	16	2,923,081	19
Accounts payable-Affiliates	7	21,299	–	209,377	1
Other payablese-Non Affiliates		716,115	5	986,972	6
Other payablese-Affiliates	7	603	–	–	–
Lease liabilities-Current	4, 6.(22)	14,882	–	13,864	–
Current portion of long-term loans	6.(15)	241,600	2	1,190,490	8
Other current liabilities		190,314	1	114,307	1
Total current liabilities		4,536,390	32	8,273,415	52
Non-current liabilities					
Long-term loans	6.(15)	620,000	4	904,836	6
Deferred tax liabilities	4, 6.(26)	7,346	–	31,272	–
Lease liabilities-Non current	4, 6.(22)	153,193	1	146,759	1
Preferred stock liabilities-Non current	4, 6.(17)	1,006,485	7	–	–
Net defined benefit liabilities-Non current	4, 6.(16)	384,246	3	430,850	3
Deposits received	4	3,424	–	3,474	–
Credit balance for investments accounted for using equity method	4, 6.(8)	50,072	–	15,404	–
Total non-current liabilities		2,224,766	15	1,532,595	10
Total liabilities		6,761,156	47	9,806,010	62
Equity	4, 6.(18)				
Capital					
Common stock		5,570,425	39	5,573,285	35
Preferred stock		1,801,800	13	–	–
Total capital stock		7,372,225	52	5,573,285	35
Additional paid-in capital		220,723	1	45,711	–
Retained earnings					
Legal reserve		53,719	–	–	–
Special reserve		18,730	–	–	–
Undistributed earinings		88,258	1	537,191	3
Total retained earnings		160,707	1	537,191	3
Other Components of Equity		(150,887)	(1)	(90,032)	–
Total stockholders' equity		7,602,768	53	6,066,155	38
Total liabilities and stockholders' equity		$14,363,924	100	$15,872,165	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 STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2020 and 2019

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	2020		2019	
		Amount	%	Amount	%
Net revenue	4, 6.(20), 7	$13,567,698	100	$17,235,914	100
Cost of goods sold	4, 6.(5), 6.(23)	(12,900,897)	(95)	(15,538,410)	(90)
Gross profit		666,801	5	1,697,504	10
Operating expenses	4, 6.(23)				
Selling and administration expenses		(528,340)	(4)	(648,531)	(4)
Research and development expenses		(267,325)	(2)	(278,307)	(2)
Expected credit (gains) losses	4, 6.(21)	3,488	—	(7,714)	—
Subtotal		(792,177)	(6)	(934,552)	(6)
Net other operating income and expenses		1,015	—	357	—
Operating (loss) income		(124,361)	(1)	763,309	4
Non-operating income and expenses	6.(24)				
Interest revenue		10,324	—	10,833	—
Other income		72,328	1	41,836	—
Other gains and losses		(73,996)	(1)	(7,771)	—
Financial costs		(73,906)	(1)	(113,801)	—
Expected credit gains (losses)	4, 6.(21)	1,148	—	(1,148)	—
Share of profits of associates and joint ventures under equity method	4, 6.(8)	(56,930)	—	40,743	—
Subtotal		(121,032)	(1)	(29,308)	—
Pretax (loss) income		(245,393)	(2)	734,001	4
Income tax (expense)	4, 6.(26)	(20,730)	—	(146,041)	(1)
Net (loss) income		(266,123)	(2)	587,960	3
Other comprehensive income (loss)	4, 6.(25)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans		(34,730)	—	(8,772)	—
Unrealized gains or losses on financial assets measured at fair value through other comprehensive income		(119,628)	(1)	(8,018)	—
Income tax related to items that will not be reclassified		30,872	—	2,170	—
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(23,475)	—	(18,965)	—
Share of other comprehensive income of associates and joint ventures		272	—	1,081	—
Income tax related to items that may be reclassified		4,695	—	3,793	—
Total other comprehensive income (loss), net of tax		(141,994)	(1)	(28,711)	—
Total comprehensive income (loss)		($408,117)	(3)	$559,249	3
Basic (losses) earnings per share (Expressed in NTD)	4, 6.(27)	($0.48)		$1.06	
Diluted (losses) earnings per share (Expressed in NTD)	4, 6.(27)	($0.48)		$1.06	

(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, 2020 and 2019

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Capital stock		Capitla Surplus	Retained earnings			Other equity			Total Equity
	Common stock	Preferred stock		Legal reserve	Special reserve	Undistributed earinings	Exchange differences on translation of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	Employee Unearned Benefit	
Balance as of January 1, 2019	$5,523,285	–	$20,104	–	–	($44,832)	($20,095)	$24,138	–	$5,502,600
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
Balance as of January 1, 2020	$5,573,285	–	$45,711	–	–	$537,191	($35,267)	$16,536	($71,301)	$6,066,155
Appropriation and distribution of 2019 retained earnings:										
Legal reserve	–	–	–	$53,719	–	(53,719)	–	–	–	–
Special reserve	–	–	–	–	$18,730	(18,730)	–	–	–	–
Cash dividends	–	–	–	–	–	(82,849)	–	–	–	(82,849)
(Loss) for the years ended December 31, 2020	–	–	–	–	–	(266,123)	–	–	–	(266,123)
Other comprehensive income (loss) for the years ended December 31, 2020	–	–	–	–	–	(27,512)	(18,780)	(95,702)	–	(141,994)
Total comprehensive income (loss)	–	–	–	–	–	(293,635)	(18,780)	(95,702)	–	(408,117)
Preferred stocks issued	–	$1,801,800	198,198	–	–	–	–	–	–	1,999,998
Share-based payment transaction	(2,860)	–	(23,186)	–	–	–	–	–	53,627	27,581
Balance as of December 31, 2020	$5,570,425	$1,801,800	$220,723	$53,719	$18,730	$88,258	($54,047)	($79,166)	($17,674)	$7,602,768

(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, 2020 and 2019

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	2020	2019
	Amount	Amount
Cash flows from operating activities:		
Pretax (loss) income	($245,393)	$734,001
Adjustments to reconcile net loss before tax to net		
The profit or loss items which did not affect cash flows:		
Depreciation	1,420,968	1,446,034
Amortization	51,156	65,235
Expected credit (gain) loss	(4,636)	8,862
Interest expense	73,906	113,801
Interest revenue	(10,324)	(10,833)
Compensation costs of shared-based payment	27,581	4,428
Share of loss (profit) of associates accounted for using the equity method	56,930	(40,743)
(Gain) on disposal of property, plant and equipment	(3,384)	(41,191)
Others-(Gain) on lease modifications	(1,015)	(356)
Others-Loss on disposal and allowance for inventory valuation	45,648	110,113
Changes in operating assets and liabilities:		
(Increase) Decrease in contract assets	(1,843)	122,702
Decrease in notes receivable	918	8,740
Decrease (Increase) in accounts receivable-non affiliates	287,438	(75,474)
(Increase) Decrease in accounts receivable-affiliates	(364)	465,978
Decrease in other receivable-non affiliates	7,962	18,698
(Increase) Decrease in other receivable-affiliates	(5,532)	28,627
(Increase) Decrease in inventories	(13,473)	94,214
(Increase) Decrease in prepayments	(2,064)	22,429
Decrease in other current assets	12,398	13,267
Decrease in other non-current assets	596	766
(Decrease) Increase in contract liabilities	(2,480)	12,695
(Decrease) in notes payable-non affiliates	(39,895)	(7,695)
(Decrease) in accounts payable-non affiliates	(713,049)	(174,183)
(Decrease) Increase in accounts payable-affiliates	(188,078)	67,206
Increase in other payable	1,942	2,696
(Decrease) Increase in other current liabilities	(135,539)	103,616
(Decrease) in net defined benefit liabilities	(81,334)	(73,818)
Cash generated from operation	539,040	3,019,815
Interest received	5,628	4,418
Income tax paid	(12,118)	(341)
Net cash provided by operating activities	532,550	3,023,892

Items	2020	2019
	Amount	Amount
Cash flows from investing activities:		
Acqusition of financial assets measured at amortized cost	(131,045)	—
Acqusition of property, plant and equipment	(458,626)	(723,348)
Disposal of property, plant and equipment	3,309	43,900
(Increase) in refundable deposits	(11,089)	—
Decrease in refundable deposits	—	32,177
Acqusition of intangible assets	(20,316)	(32,657)
Decrease in long-term receivables	20,101	3,002
Dividends received	151,475	—
Net cash (used in) investing activities	(446,191)	(676,926)
Cash flows from financing activities:		
(Decrease) in short-term loans	(1,272,327)	(433,155)
Increase in short-term notes payable	—	379,210
(Decrease) in short-term notes payable	(379,210)	(349,610)
Increase in long-term loans	1,738,149	1,300,000
Repayment of long-term loans	(2,976,291)	(2,262,010)
Preferred stock liabilities issued	999,999	—
Increase in guarantee deposits received	—	50
(Decrease) in guarantee deposits received	(50)	—
Increase in other payable-Affiliates	603	—
Repayment of lease liabilities	(15,684)	(18,794)
Cash dividends	(82,849)	—
Preferred stock issued	1,999,998	—
Interset paid	(75,848)	(116,497)
Other financing activities	127,671	89,389
Net cash provided by (used in) financing activities	64,161	(1,411,417)
Net Increase in cash and cash equivalents	150,520	935,549
Cash and cash equivalents, beginning of period	1,491,029	555,480
Cash and cash equivalents, end of period	$1,641,549	$1,491,029

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

1. ORGANIZATION AND OPERATION

Orient Semiconductor Electronics Limited (the Company) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China in June 1971. The Company was registered in Kaohsiung City and the registered address is 9 Central 3Rd St. N.E.P.Z., Kaohsiung, Taiwan, 11, R.O.C. The principal activity of the Company is to engage in the manufacture, assembly, processing and sale of integrated circuits, parts for semiconductors, computer motherboards and related products. The Company's shares commenced trading in the Taiwan stock exchange market in April 1994.

As of December 31, 2020, the Company's current liabilities and current assets were $4,536,390 thousand and $5,610,556 thousand, respectively. The current ratio was 123.68%. The Company has devoted to adjusting its product structure. The Company keeps making a profit and improving financial structure.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The parent company only financial statements of the Company for the years ended December 31, 2020 and 2019 were authorized for issue by the Board of Directors on March 10, 2021.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2020. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on the Company.

(a) Covid-19-Related Rent Concessions (Amendment to IFRS 16)

The Company elected to early apply Covid-19-Related Rent Concessions (Amendment to IFRS 16) which is recognized by FSC for annual periods beginning on or after January 1, 2020, and in accordance with the requirements of the transition. For the rent concession arising as a direct consequence of the covid-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted it as a variable lease payment. Please refer to Note 6 for disclosure related to the lessee which required by the amendment.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

(a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements.

A. A company will not have to derecognise or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2021 have no material impact on the Company.

(3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are not endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
e	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
f	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023

(a) IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a Company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(a) estimates of future cash flows;
(b) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(c) a risk adjustment for non-financial risk.

The carrying amount of a Company of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

(e) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(f) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. All other standards and interpretations have no material impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The parent company only financial statements for the years ended December 31, 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of preparation

When preparing the parent company only financial statements, the Company account for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The PARENT COMPANY ONLY financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Foreign currency transactions

The parent company only financial statements are presented in NT$, which is also the Company's functional currency. Each entity in The Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by The Company entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
(b) Foreign currency items within the scope of IAS 39 Financial Instruments: Recognition and Measurement are accounted for based on the accounting policy for financial instruments.
(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(b) The Company holds the asset primarily for the purpose of trading.
(c) The Company expects to realize the asset within twelve months after the reporting period.
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Company expects to settle the liability in its normal operating cycle.
(b) The Company holds the liability primarily for the purpose of trading.
(c) The liability is due to be settled within twelve months after the reporting period.
(d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within three months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

(a) the Company's business model for managing the financial assets and
(b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

i. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Company makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should be recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss and trade receivables.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
(d) For lease receivables arising from transactions within the scope of IFRS 16 (before January 1, 2020: IAS 17), the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired.
(b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
(c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

<u>Classification between liabilities or equity</u>

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

<u>Equity instruments</u>

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

<u>Financial liabilities</u>

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. A financial liability is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
(b) Company of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by The Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

Inventories are valued at the lower of cost and net realizable value item by item. Cost incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	—	Purchase cost on an average basis
Finished goods and work in Progress	—	Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity on weighted average cost basis

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(10) Non-current assets held for sale and discontinued operations

Non-current assets and disposal Company s are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal Company is available for immediate sale in its present condition. Non-current assets and disposal Company s classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit after taxes, even when the Company retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

(11) Investments accounted for using the equity method

The Company's investment in its associate is accounted for using the equity method. An associate is an entity in which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a prorata basis.

When the associate issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment in associate. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IFRS 9 Financial Instruments. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets . In determining the value in use of the investment, the company estimates :

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal are recognized in profit or loss.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

The Company recognizes its interest in the jointly controlled entities using the equity method other than those that meet the criteria to be classified as held for sale. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	10～51 years
Machinery and equipment	3～12 years
Transportation equipment	5 years
Office equipment	5 years
Leasehold improvements	5～15 years
Other equipment	5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13) Investment property

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal Company that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers to or from investment properties when there is a change in use for these assets.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(14) Leases

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

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the covid-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted it as a variable lease payment. The Company have applied the practical expedient to all rent concessions that meet the conditions for it.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale
(b) Its intention to complete and its ability to use or sell the asset
(c) How the asset will generate future economic benefits
(d) The availability of resources to complete the asset
(e) The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use.

It is amortized over the period of expected future benefit.

A summary of the policies applied to the Company's intangible assets is as follows:

	Cost of computer software
Useful lives	1～3 years
Amortization method used	Amortized on a straight-line basis
Internally generated or acquired	Acquired

(16) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or companies of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

<u>Sale of goods</u>

The Company manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main products of the Company are integrated circuits, semiconductor devices and computer motherboards, etc and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts.

Products manufactured according to customer's agreed specifications if the customer controls the product at the time of creation or enhancement of the product, the Company will gradually recognize revenue over time.

The Company provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Company's sale of goods is from 30 to 150 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses. However, for some contracts, part of the consideration was received from customers upon signing the contract, then the Company has the obligation to transfer the goods to customers subsequently; accordingly, these amounts are recognized as contract liabilities.

Rendering of services

Revenue is recognized when the Company finishes the processing services.

(18) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(19) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries.

Therefore, fund assets are not included in the parent company only financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and

(b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(20) Share-Based Payment Transactions

The cost of equity-settled transactions between the Company and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(21) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
(b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
(b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgement

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the parent company only financial statements:

Revenue recognition

The Company based on trading patterns and whether the economic substance were expose to the sale of goods or services related to the significant risks and rewards, to determine whether the Company should be classified as the principal of the transaction or agent. When expose to the sale of goods or services related to the significant risks and rewards, the principal of the transaction should recognize the total receivables or received economic benefit as revenue; if determine as the agent, recognize the net transaction as revenue.

The Company provides electronic manufacturing services and integrated circuit packaging and testing manufacturing services, determined as to conform to the following indicators; it is recognized as total revenue collected:

(a) Has the primary responsibility to the provision of goods or services provided
(b) Assumed inventory risk
(c) Assumed customer's credit risk

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) The Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(2) Post-employment benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6.(15) for more details.

(3) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group Company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(4) Accounts receivables—estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(5) Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	Dec. 31, 2020	Dec. 31, 2019
Cash on hand	$120	$125
Demand deposits	1,308,962	1,490,904
Time deposits	332,467	—
Total	$1,641,549	$1,491,029

(2) FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	Dec. 31, 2020	Dec. 31, 2019
Restricted deposits	$131,045	—
Less: loss allowance	(—)	(—)
Total	$131,045	—
Current	$131,045	—
Non-current	—	—
Total	$131,045	—

The restricted deposit as of December 31, 2020 is repatriated and used solely for the purpose approved in accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds Act.

(3) NOTES RECEIVABLES

	Dec. 31, 2020	Dec. 31, 2019
Notes receivables	$852	$1,770
Less: loss allowance	(—)	(—)
Total	$852	$1,770

Notes receivables were not pledged.

The Company follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6.(21) for more details on loss allowance and Note 12 for more details on credit risk.

(4) ACCOUNTS RECEIVABLES AND ACCOUNTS RECEIVABLES－AFFILIATES

(A) Details are as follows:

	Dec. 31, 2020	Dec. 31, 2019
Accounts receivables	$2,158,792	$2,447,900
Less: loss allowance	(20,938)	(26,096)
Subtotal	2,137,854	2,421,804
Accounts receivables-affiliates	229,921	229,557
Less: loss allowance	(－)	(－)
Subtotal	229,921	229,557
Total	$2,367,775	$2,651,361

(B) Accounts receivables are generally on 30-150 day terms. The total carrying amount as of December 31, 2020 and 2019 were $2,389,565 thousand, $2,679,227 thousand , respectively. Please refer to Note 6.(21) for more details on loss allowance and Note 12 for details on credit risk management.

(5) INVENTORIES

(A) Details are as follows:

	Dec. 31, 2020	Dec. 31, 2019
Raw materials	$790,097	$725,372
Supplies	71,905	76,261
Work in progress	134,033	228,413
Finished goods	21,547	19,711
Total	$1,017,582	$1,049,757

(B)

	For the years ended December 31	
	2020	2019
Cost of inventories sold	$12,854,838	$15,427,296
Loss on realizable value and obsolescence of inventories	11,096	54,177
Loss in inventory write-off	34,552	55,936
Inventory loss	411	1,001
Cost of goods sold	$12,900,897	$15,538,410

(C) As of December 31, 2020, and 2019, inventories were insured for $13,651,742 thousand and $12,958,170 thousand, respectively.

(D) No inventories were pledged.

(6) FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS-NON CURRENT

	Dec. 31, 2020	Dec. 31, 2019
Financial assets designated at fair value through profit and loss:		
Redemption value of preferred stock liabilities	$6,486	—

Financial assets at fair value through profit or loss were not pledged.

(7) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON CURRENT

	Dec. 31, 2020	Dec. 31, 2019
Equity instrument investments measured at fair value through other comprehensive income-Non-current：		
Unlisted companies stocks	$107,232	$226,860

The Company classified certain of its financial assets as financial assets at fair value through other comprehensive income. Financial assets at fair value through other comprehensive income were not pledged.

(8) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(A) The company investments accounted for using the equity method are as follows:

		Dec. 31, 2020		Dec. 31, 2019	
Investee Company	Type of stock	Amount	Ownership	Amount	Ownership
Investments in subsidiaries:					
ORIENT SEMICONDUCTOR ELECRTONICS PHILIPPINES INC.(OSEP)	Common stock	($50,072)	93.67％	($15,404)	93.67％
OSE USA, INC. (OSEU)	Common stock	83,548	100.00％	111,745	100.00％
OSE INTERNATIONAL LTD.	Common stock	286,232	100.00％	304,281	100.00％
COREPLUS (HK) LIMITED	Common stock	300,780	100.00％	460,130	100.00％
		620,488		860,752	
Add: Credit balance for investments accounted for using equity method		50,072		15,404	
Subtotal		670,560		876,156	

Investee Company	Type of stock	Dec. 31, 2020 Amount	Dec. 31, 2020 Ownership	Dec. 31, 2019 Amount	Dec. 31, 2019 Ownership
Investments in associates:					
OSE PROPERTIES, INC.	Common stock	－	39.99%	－	39.99%
ATP ELECTRONICS, TAIWAN INC.	Common stock	226,176	9.57%	230,553	9.57%
INFOFAB, INC.	Common stock	12,710	13.32%	10,880	13.32%
SCS HIGHTECH INC.	Common stock	－	18.17%	－	18.17%
Subtotal		238,886		241,433	
Total		$909,446		$1,117,589	

(B) In February 2006, for the purpose of a merger, the investee company OSE ACQUISITION CORP. purchased 100% of common shares in OSE USA, Inc. at a price of US$0.006 per share and assumed all of its assets and liabilities. After the merger, OSE ACQUISITION CORP. changed its name to OSE USA, Inc.

(C) In September 2006, shares of the investee company ATP were exchanged with ATP TAIWAN so that the Company would hold 6.79% ownership of ATP TAIWAN after the exchange. The Company had purchased 1,929 thousand treasury shares in February, 2008. So the Company held 9.57% ownership of ATP TAIWAN.

(D) Because SCS HIGHTECH INC. was in financial crisis in 2004, the long-term investment amounted to $96,203 thousand was written off as losses in 2004.

(E) Owing to the continue loss of OSE PROPERTIES, INC., the accumulated investment loss has made the book value of long-term investment declining to zero, the company will no longer recognize the investment loss.

(F) In order to improve the financial structure of OSEP, the Company made a financial structure improvement plan as following:

i. On December 12, 2008, the board of directors of the Company approved OSEP to issue first set of new stocks for a total value of US$8 million, consisting of US$5.18 million of cash and US $2.82 million worth of debt to equity swap. This was approved on May 21, 2009 by Investment Commission M.O.E.A.

ii. On December 9, 2009, the board of directors of the Company approved OSEP to issue second set stocks for a total value of US$8 million, consisting of US$1.6 million of cash and US$6.4 million of debt-to-equity swap. This was approved on September 8, 2011 by Investment Commission M.O.E.A.

iii. On May 5, 2010, the board of the directors of the Company approved OSEP to issue third set of stocks for a total value of US$13.5 million, consisting of US$2.7 million of cash and US$10.8 million of debt-to-equity swap. This was approved on September 8, 2011 by Investment Commission M.O.E.A.

iv. On August 26, 2010, the board of the directors of the Company approved OSEP to issue fourth set of stocks for a total value of US$10.5 million, consisting of US$2.1 million of cash and US$8.4 million of debt-to-equity swap. This was approved on September 8, 2011 by Investment Commission M.O.E.A.

v. On December 28, 2010, the board of the directors of the Company approved OSEP to issue fifth set of stocks for a total value of US$8 million, consisting of US$1.6 million of cash and US$6.4 million of debt-to-equity swap. This was approved on January 16, 2012 by Investment Commission M.O.E.A.

(G) In order to improve the financial structure of OSEU, the Company made financial improvement plan as following:

i. On July 15, 2010, the board of directors of the Company approved to merge OSEI and OSEU in September 2010. OESU is the remaining existing entity while OSEI ceased to operate. Starting from September 2010, all assets, liabilities, rights and obligations of OSEI were transferred to OSEU.

ii. On July 15, 2010 the board of directors of the Company approved OSEU to raise capital by the issuance of new stock for the total value of US$35,762 thousand in debt-to-equity swap. This was approved on January 17, 2011 by Investment Commission M.O.E.A.

(H) On March 24, 2011, the board of the directors of the Company approved COREPLUS (HK) LIMITED to issue stocks, consisting of US$2.7 million of debt-to-equity swap. This was approved on October 3, 2012 by Investment Commission M.O.E.A.

(I) OSE INTERNATIONAL LTD was approved by its Board of Directors to decrease its capital by US$2,800 thousand and US$4,200 thousand on June 25, 2008 and April 20, 2015, respectively. The Company had taken back the investment amount by $84,280 thousand (US$2,800 thousand) and $132,536 thousand (US$4,200 thousand), respectively.

(J) The Company recognized losses in OSEP at its ownership percentage; therefore, the carrying amount of this long-term equity investment present at a credit balance. The Company transferred the relevant credit amount to non-current liabilities.

(K) The share of the profit or loss of these associates and joint ventures for using the equity method are as follows：

Investee Companies	For the years ended December 31 2020	2019
OSE PHILIPPNES INC.	($36,776)	($39,115)
OSE PROPERTIES, INC.	—	—
OSE USA, INC.	(23,062)	14,016
OSE INTERNATIONAL LTD.	(9,246)	11,516
INFOFAB, INC.	1,558	2,898
ATP TAIWAN	9,618	19,673
COREPLUS (HK) LIMITED.	978	31,755
Total	($56,930)	$40,743

The 2020 and 2019 financial statements were audited by other auditors.

(L) In year 2020 and 2019, the Company obtained cash dividend from ATP Taiwan and INFOFAB in the form of cash dividend for $11,278 thousand and $0, $18,797 thousand and $1,265 thousand, respectively. They are recorded as credit to “Investments accounted for using the equity method”.

(M)The details of translation adjustment from investments accounted for using the equity method are as follows：

Investee Companies	For the years ended December 31 2020	2019
OSE PHILIPPNES INC.	$2,108	$350
OSE USA, INC.	(5,135)	(2,386)
OSE INTERNATIONAL LTD.	(8,803)	(3,845)
ATP TAIWAN.	(2,717)	(1,138)
COREPLUS (HK) LIMITED.	(8,928)	(11,946)
Total	($23,475)	($18,965)

(N) Part of investments accounted for using the equity method has been pledged to the banks as securities for bank loans granted to the Company. Please refer to Note 8 for more details.

(O) Investment in subsidiary was accounted for investment accounted for under equity method when preparing the parent company only financial statements.

(P) The Company's investments by using the equity method are not published price quatations which are not individually material. The aggregate financial information of the Group's investments is as follows:

	Dec. 31, 2020	Dec. 31, 2019
Total assets	$292,308	$327,249
Total liabilities	$85,715	$118,110

	For the years ended December 31	
	2020	2019
Revenue	$357,539	$503,089
Profit	11,176	22,571
Other comprehensive income (loss)	(2,444)	(57)
Total Comprehensive Income	8,732	22,514

(9) PROPERTY, PLANT AND EQUIPMENT

	Dec. 31, 2020	Dec. 31, 2019
Owner occupied property, plant and equipment	$5,105,134	$6,079,672
Property, plant and equipment leased out under operating leases	141,743	140,455
Total	$5,246,877	$6,220,127

(A) Owner occupied property, plant and equipment

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of Jan. 1, 2020	—	$7,058,550	$14,104,129	$1,087	$54,890	$368,330	$93,666	$21,680,652
Additions	—	—	—	—	—	—	246,355	246,355
Disposals	—	—	(329,093)	—	—	(2,630)	—	(331,723)
Transfers	—	60,803	372,001	—	—	6,753	(276,324)	163,233
As of Dec. 31, 2020	—	$7,119,353	$14,147,037	$1,087	$54,890	$372,453	$63,697	$21,758,517
Depreciation and impairment:								
As of Jan. 1, 2020	—	$4,550,028	$10,662,032	$1,057	$54,364	$333,499	—	$15,600,980
Depreciation	—	229,612	1,149,704	10	401	17,929	—	1,397,656
Disposals	—	—	(329,093)	—	—	(2,630)	—	(331,723)
Transfers	—	—	(13,530)	—	—	—	—	(13,530)
As of Dec. 31, 2020	—	$4,779,640	$11,469,113	$1,067	$54,765	$348,798	—	$16,653,383

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of Jan. 1, 2019	—	$6,989,653	$15,923,693	$1,087	$54,890	$363,893	$143,600	$23,476,816
Additions	—	—	—	—	—	—	285,055	285,055
Disposals	—	—	(2,467,325)	—	—	—	—	(2,467,325)
Transfers	—	68,897	647,761	—	—	4,437	(334,989)	386,106
As of Dec. 31, 2019	—	$7,058,550	$14,104,129	$1,087	$54,890	$368,330	$93,666	$21,680,652
Depreciation and impairment:								
As of Jan. 1, 2019	—	$4,327,874	$11,943,826	$1,047	$53,864	$310,537	—	$16,637,148
Depreciation	—	222,154	1,173,899	10	500	22,962	—	1,419,525
Disposals	—	—	(2,464,396)	—	—	—	—	(2,464,396)
Transfers	—	—	8,703	—	—	—	—	8,703
As of Dec. 31, 2019	—	$4,550,028	$10,662,032	$1,057	$54,364	$333,499	—	$15,600,980
Net carrying amount								
As of Dec. 31, 2020	—	$2,339,713	$2,677,924	$20	$125	$23,655	$63,697	$5,105,134
As of Dec. 31, 2019	—	$2,508,522	$3,442,097	$30	$526	$34,831	$93,666	$6,079,672

(B) Property, plant and equipment leased out under operating leases

	Buildings
Cost:	
As of Jan. 1, 2020	$279,343
Additions	—
Disposals	—
Transfers	19,503
As of Dec. 31, 2020	$298,846
Depreciation and impairment:	
As of Jan. 1, 2020	$138,888
Depreciation	4,685
Disposals	—
Transfers	13,530
As of Dec. 31, 2020	$157,103
Cost:	
As of Jan. 1, 2019	$279,343
Additions	—
Disposals	—
Transfers	—
As of Dec. 31, 2019	$279,343
Depreciation and impairment:	
As of Jan. 1, 2019	$132,203
Depreciation	6,685
Disposals	—
Transfers	—
As of Dec. 31, 2019	$138,888
Net carrying amounts as at:	
As of Dec. 31, 2020	$141,743
As of Dec. 31, 2019	$140,455

(C) Affects both the cash and non-cash items of investing activities:

	For the years ended December 31	
	2020	2019
Acquisition of property, plant, and equipment expenditure:		
Increase of property, plant and equipment	$429,091	$637,301
(Decrease) of prepayment for equipment	(29,776)	(6,415)
Decrease of payables on equipment	59,311	92,462
Cash expenditure	$458,626	$723,348

(D) Details of capitalized borrowing costs are as follows:

	For the years ended December 31	
Item	2020	2019
Prepayments for equipment	$3,098	$4,980
Capitalisation rate of borrowing costs	1.21%～3.02%	3.04%～3.95%

(E) As of December 31, 2020 and 2019, fixed assets were insured for $9,421,818 thousand and $9,835,562 thousand, respectively.

(F) Please refer to Note 8 for more details on property, plant and equipment under pledge.

(10) INTANGIBLE ASSETS

(A) As of December 31, 2020 and 2019, the cost of the computer software, original cost, accumulated amortization and amount of amortization in the book of the Company is listed as below:

	Computer software
	Amount
Cost：	
As of Jan. 1, 2020	$369,773
Addition	20,316
Transfers	7,201
As of Dec. 31, 2020	$397,290
As of Jan. 1, 2019	$335,612
Addition	32,657
Transfers	1,504
As of Dec. 31, 2019	$369,773

	Computer software
	Amount
Amortization and impairment：	
As of Jan. 1, 2020	$311,581
Amortization	51,156
As of Dec. 31, 2020	$362,737
As of Jan. 1, 2019	$246,346
Amortization	65,235
As of Dec. 31, 2019	$311,581
Net carrying amount :	
As of Dec. 31, 2020	$34,553
As of Dec. 31, 2019	$58,192

(B) Amortization expense of intangible assets under the statement of comprehensive income:

	For the years ended December 31	
	2020	2019
Operating costs	$23,837	$38,471
Managing costs	$9,076	$5,796
Research and development costs	$18,243	$20,968

(11) PREPAYMENTS

	Dec. 31, 2020	Dec. 31, 2019
Current assets－prepayments		
Prepaid expenses	$54,233	$42,337
Other prepayments	4,853	3,002
Total	$59,086	$45,339
Non-current assets－prepayments for equipment：		
Prepayment for equipment	$107,304	$151,424

(12) LONG-TERM RECEIVABLES-AFFILIATES

	Dec. 31, 2020	Dec. 31, 2019
Loan receivable (Note)	$349,159	$370,127
Receivable for sale/rent of machinery and equipment and payment on behalf (Note)	69,284	73,176
Interest receivable from financial activities (Note)	57,855	53,096
Total	476,298	496,399
(Less) : Loss allowance	(－)	(－)
Net	$476,298	$496,399

(Note):

(1) Long-term receivable – OSE PHILIPPINES INC. and Long-term receivable – OSE USA Inc. amounted to $803,966 thousand and $1,148,668 thousand, respectively. In 2010, they were converted to common stocks of OSEP and common stocks of OSEU through debt-to-equity swap options.

(2) Long-term receivable – OSE PHILIPPINES INC. amounted to $183,843 thousand. In May 2011, the receivable was subsequently converted to common stocks of OSE PHILIPPINES INC. through debt-to-equity swap options.

(3) Long-term receivable – COREPLUS amounted to $79,893 thousand. In October, 2012, the amount was converted to common stocks of investment of COREPLUS through debt-to-equity swap options.

(13) SHORT-TERM LOANS

(A) Detail are as follows:

Items	Dec. 31, 2020	Dec. 31, 2019
L/C	$182,145	$315,900
Unsecured bank loans	850,000	2,057,866
Mortgage loans on machine and equipment	69,427	—
Total	$1,101,572	$2,373,766

(B) The ranges of interest rates and the due dates:

	Dec. 31, 2020	Dec. 31, 2019
Ranges of interest rates	1.33%～1.55%	1.55%～3.17%
Due dates	January 09, 2021～ December 31, 2021	January 01, 2020～ December 17, 2020

(C) As of December 31, 2020 and 2019, the Company's unused short-term lines of credits amount to $1,710,722 thousand and $1,394,036 thousand, respectively.

(D) Part of property, plant and equipment and deposits reserved for repayment are pledged as security for the Company's short-term borrowings. Please refer to Note 8 for the more detail on held for trading financial assets pledged as security for short-term loans.

(14) SHORT-TERM NOTES PAYABLE－NET

(A) Detail are as follows:

	Dec. 31, 2020	Dec. 31, 2019
Par value of commercial papers	—	$380,000
(Less) : Discount for short-term notes payable	—	(790)
Net	—	$379,210

(B) The ranges of interest rates and the due dates:

	Dec. 31, 2020	Dec. 31, 2019
Ranges of interest rates	—	1.788%～1.858%
Due dates	—	January 9, 2020～ February 27, 2020

(15) LONG-TERM LOANS

(A) Detail are as follows:

Items	Dec. 31, 2020	Dec. 31, 2019
Mortgage loan	$861,600	$2,095,326
Less: Due within one year	(241,600)	(1,190,490)
Net	$620,000	$904,836

(B) The ranges of interest rates and the due dates:

	Dec. 31, 2020	Dec. 31, 2019
Ranges of interest rates	1.32%～1.55%	1.80%～3.30%
Due dates	September 25,2021～ May 31, 2023	October 31, 2020～ August 15, 2023

(C) Part of property, plant and equipment, and deposits reserved for repayment are pledged as security for the Company's long-term borrowings. Please refer to Note 8 for more details.

(16) POST-EMPLOMENT BENEFITS

(A) Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 are $105,763 thousand and $113,103 thousand, respectively.

(B) Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

Costs under the defined contribution plan for the years ended December 31, 2020 and 2019 are $57,487 thousand and $59,735 thousand, respectively.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute $70,645 thousand to its defined benefit plan during the 12 months beginning after December 31, 2020.

The average duration of the defined benefits plan obligation as of December 31, 2020 and 2019, is the end of the year of 2030 and 2029, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2020 and 2019:

	For the years ended December 31	
	2020	2019
Current period service costs	$6,424	$7,116
Net interest expense of net defined benefit liability(asset)	3,274	5,009
Prior period service costs	10,208	—
Total	$19,906	$12,125

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
Present value of the defined benefit obligation	$952,778	$1,007,077	$1,019,883
Plan assets at fair value	(568,532)	(576,227)	(523,987)
Other non-current liabilities - Accrued pension liabilities recognized on the company only balance sheets	$384,246	$430,850	$495,896

Reconciliation of liability (asset) of the defined benefit plan is as follows:

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of Jan. 1, 2019	$1,019,883	($523,987)	$495,896
Current period service costs	7,116	—	7,116
Net interest expense (income)	10,301	(5,292)	5,009
Subtotal	17,417	(5,292)	12,125
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(2,761)	—	(2,761)
Actuarial gains and losses arising from changes in financial assumptions	29,224	—	29,224
Experience adjustments	992	—	992
Return on plan assets	—	(18,683)	(18,683)
Subtotal	27,455	(18,683)	8,772
Payments from the plan	(57,678)	57,678	—
Contributions by employer	—	(85,943)	(85,943)
As of Dec. 31, 2019	1,007,077	(576,227)	430,850
Current period service costs	6,424	—	6,424
Net interest expense (income)	7,654	(4,380)	3,274
Prior period service costs (income) or reduction	10,208	—	10,208
Subtotal	24,286	(4,380)	19,906
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	61	—	61
Actuarial gains and losses arising from changes in financial assumptions	60,565	—	60,565
Experience adjustments	(6,468)	—	(6,468)
Return on plan assets	—	(19,428)	(19,428)
Subtotal	54,158	(19,428)	34,730
Payments from the plan	(132,743)	132,743	—
Contributions by employer	—	(101,240)	(101,240)
As of Dec. 31, 2020	$952,778	($568,532)	$384,246

	Dec. 31, 2020	Dec. 31, 2019
Discount rate	0.42%	0.76%
Expected rate of salary increases	1.50%	1.40%

Sensitivity analysis for significant assumption:

	For the years ended December 31			
	2020		2019	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	—	$67,989	—	$50,693
Discount rate decrease by 0.5%	$75,534	—	$80,888	—
Future salary increase by 0.5%	$74,309	—	$79,937	—
Future salary decrease by 0.5%	—	$67,656	—	$50,633

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(17) PREFERRED STOCK LIABILITY

	Dec. 31, 2020	Dec. 31, 2019
Class B preferred stocks	$1,006,485	—
Less: Due within one year	(—)	(—)
Net	$1,006,485	—

The Company passed the resolution of extraordinary general meeting on December 3, 2020 to handle the private placement of 90,090 thousand shares of Class B preferred stocks. The payment has been completed by applicant Chipbond Technology Corporation (Chipbond Technology Company) on December 16, 2020. The total amount is $999,999 thousand with the issuance price of $11.1 per share with the official issuance date of December 21, 2020. According to the issuance conditions of Class B preferred stocks, the issuance period for Class B preferred stocks are 5 years and there is a contractual obligation to deliver cash or another financial asset to the other party (holder), so the preferred stock are split into preferred stock liabilities $1,006,485 thousand and the value of recovery rights (under the financial assets measured at fair value through profit and loss) $6,486 thousand, the effective interest rate originally recognized for the preferred stock liabilities is 2%. The interest expense calculated based on the effective interest rate in 2020 was $603 thousand.

The rights and obligations and primary conditions of issuance of the Company’s Class B preferred stocks are as follows:

(A) Distributions of earnings shall be handled in accordance with the Company's Articles of Incorporation. Earnings to be distributed may be distributed to Class B preferred shares of the year or the quarter and accumulated undistributed dividends. If there are no earnings or if earnings are insufficient to pay the full dividend on Class B preferred shares, distributable earnings shall be first be distributed to Class B preferred shares. Any shortfall in dividends will be made up first with future annual or quarterly earnings.

(B) The annual interest rate of dividends for Class B preferred shares is 2% which is calculated based on the issue price per share and paid in cash. The ex-dividend date of the preferred shares is authorized to be set by the board of directors. The number of dividends issued in the year or in the quarter and the number of dividends received in the year or in the quarter is calculated based on the actual number of days of issuance.

(C) If the Company's proposed distribution of dividends for common stock for the current year or current quarter exceeds the number of dividends on Class B preferred shares, holders of Class B preferred shares will not be entitled to dividends.

(D) Except for aforementioned dividends, Class B preferred shares cannot be participated in the distribution of earnings or reserves from common stock and other preferred shares.

(E) There is no contractual right to covert Class B preferred shares into common stock.

(F) Holders of Class B preferred shares do not have voting rights at common stock shareholders meeting nor do they have the voting rights to elect a director (independent directors included); however, holders of Class B preferred shares have voting rights regarding matters concerning shareholders rights of Class B preferred shares at shareholders meeting of preferred shares.

(G) The order of the Company’s remaining property of Class B preferred shares is distributed to common stock and Class C preferred shares, but each share shall not exceed the issue price plus the number of unpaid dividends payable.

(H) The issuance period for Class B preferred shares is 5 years. Holders of Class B preferred shares do not have the right to demand early redemption of Class B preferred shares. However, the Company may redeem all or part of the Class B preferred shares at their original issue price at any time after the expiration of three years from the date of issuance by cash or other methods permitted by laws and regulations. The rights and obligations shall continue under the conditions of the issuance of Class B preferred shares until they are redeemed by the Company. In the year in which Class B preferred shares are to be redeemed, if the Company's shareholders’ meeting has resolved to issue dividends, the dividends shall be paid up to the date when Class B preferred shares are redeemed, and shall be calculated on the basis of the actual number of issuance days in the year.

(I) Upon the issuance of new shares of common stock by cash capital increase, holders of Class B preferred shares have the same preferred stock options as common stock shareholders..

(J) Where Class B preferred shares are qualified for an early redemption or after the expiration of the issuance period, if the Company is unable to redeem all or part of Class B preferred shares due to force majeure or reasons not attributable to the Company, the rights of unredeemed preferred shares shall remain in accordance with the conditions of issuance as described in the preceding paragraph until Class C preferred shares are fully redeemed by the Company. Dividends are also calculated at the original annual interest rate and the actual extension period. The rights of the Class B preferred shares shall not be damaged as stipulated in the Company's Articles of Incorporation.

(K) Class B preferred shares are not listed for trading during the issuance period.

(18) EQUITY

(A) Common stock

(a) The Company had increased capital by cash by $1,800,000 thousand with par value $10 per share and issued price $9.2 on May 30, 2007. The rights and obligations of new shares by private placement are the same as those of common shares. Ownership of shares by private placement cannot be transferred to others within three years since issuance per Security and Exchange regulations.

(b) The board of directors of the Company agreed on June 21, 2011 to capital injection by issuing common stocks for cash in order to repay loan and improve the Company financial structure. A total of 200,000 thousand shares of common stocks, with face value of $10 per share, will be issued for a total of $2,000,000 thousand. Approval has been granted by Financial Supervisory Commission on July 22, 2011 by Doc No. 1000030977. In the event of existing shareholders or employees forfeiting purchasing rights or the event of shortage of subscription of share, the board of directors will authorize the chair of directors to contact an arranged person for purchases. As of August 2, 2011, the board of directors agreed stocks will be issued with the issuance price of NTD 6.4 per share with the official issuance date of September 5, 2011. As of September 19, 2011, registration for the issuance of new stocks is complete.

(c) The Board of shareholders′ meeting of the Company agreed on June 29, 2018 to reduce capital $2,536,872 thousand for cover accumulated deficits in order to improve the Company′s financial structure. The ratio of reduction capital was 31.4742285%, and it was declared effective by Financial Supervisory Commission on August 8, 2018. The record date for reverse split was at September 30, 2018, and the amendment of registration was completed at October 8, 2018.

(d) To reward employees, the Board of shareholders' meeting of the Company agreed on June 29 ,2018 to issue restricted stocks for employees by $50,000 thousand of common stock with par value $10 per share, and it was declared effective by Financial Supervisory Commission on June 10, 2019. The record date for capital increase was at November 25, 2019, and the amendment of registration was completed at December 10, 2019.

(e) There are 286,000 shares of common stock forfeited because of the failure to satisfy the vesting condition in restricted stocks plan. Board resolution was passed to write off the shares amounted to $2,860 thousand as well as registration.

(f) As of December 31, 2020, and 2019, the authorized capitals were $20,000,000 thousand. Issued capital were $5,570,425 thousand and $5,573,285 thousand, with 557,042,533 shares and 557,328,533 shares respectively. Each share is at a par value of NT$10.

(B) Preferred stock

The Company passed the resolution of extraordinary general meeting agreed on December 3, 2020 to handle the private placement of Class C preferred shares of 1,801,800 thousand with par value $10 per share and issued price $11.1. The Company intends to issue preferred shares through a private placement as required by Article 43-6 of the Securities and Exchange Act, and the record date for capital increase was at December 21, 2020.

The rights and obligations and primary conditions of issuance of the Company's preferred shares are as follows:

(a) The Company's earnings distribution is handled in accordance with the Company's Articles of Incorporation. Distributable earnings shall be distributed first to Class B preferred shares in the current year or the current quarter and accumulated undistributed dividends, then dividends shall be distributed to Class C preferred shares in the current year or quarter

(b) The annual interest rate of dividends for Class C preferred shares is 2% which is calculated based on the issue price per share and paid in cash. The ex-dividend date of dividends of the preferred shares is authorized to be set by the board of directors. The number of dividends issued in the year or in the quarter and the number of dividends received in the year or in the quarter is calculated based on the actual number of days of issuance.

(c) If the proposed dividend for the Company's common stock in the current year or quarter exceeds the dividend amount of Class C preferred shares, the holders of Class C preferred shares shall be entitled to participate in the distribution until the number of dividends per Class C preferred share is the same as the number of the dividend per common stock.

(d) The Company has a discretionary power on the dividend distribution of Class C preferred shares. If the Company does not have earnings or insufficient earnings for distribution or if there are other necessary considerations, the Company may resolve to not distribute divides from Class C preferred shares. Such manner does not constitute an event of default and shareholders may not object. Class C preferred shares are noncumulative, and their undistributed or under-distributed dividends will not be accumulated in subsequent years or quarters.

(e) Holders of Class C preferred shares may, from the day after the issuance date of five years, be converted into common stock at the ratio of one preferred share to one common stock (conversion ratio 1:1). The rights and obligations (except for conversion restrictions and unlisted shares prescribed by laws and regulations) of the converted common stock from Class C preferred shares are the same as the Company's other issued common stock. Class C preferred shares that have been converted into common stock prior to the annual or quarterly ex-rights (dividend) date of conversion are entitled to participate in the distribution of common stock - 27 - earnings and reserves in the current year or current quarter, but may not participate in dividend distributions of preferred shares in the current year or the current quarter. Class C preferred shares that have been converted into common stock prior to the annual or quarterly ex-rights (dividend) date of conversion are entitled to participate in the distribution of preferred dividend sand reserves in the current year or current quarter, but may not participate in dividend distributions of common stock and capital surplus in the current year or the current quarter. Preferred dividends and common stock dividends of the same year or quarter are distributed on a nonrecurring basis.

(f) Holders of Class C preferred shares do not have voting rights at common stock shareholders meeting nor do they have the voting rights to elect a director (independent directors included); however, holders of Class C preferred shares have voting rights regarding matters concerning shareholders rights of Class C preferred shares at shareholders meeting of preferred shares.

(g) The order of the Company’s remaining property of Class C preferred shares is distributed to common stock and Class C preferred shares, but each share shall not exceed the issue price plus the number of unpaid dividends payable.

(h) There is no expiration date for Class B preferred shares. Holders of Class C preferred shares do not have the right to demand redemption of Class C preferred shares or demand the Company for an early conversion of preferred shares to common stock. However, the Company may redeem all or part of the Class C preferred shares at their original issue price at any time after the expiration of three years from the date of issuance by cash, mandatory conversion of new issue of shares or other methods permitted by laws and regulations. The rights and obligations shall continue under the conditions of the issuance of Class C preferred shares until they are redeemed by the Company. In the year in which Class C preferred shares are to be redeemed, if the Company's shareholders’ meeting has resolved to issue dividends, the dividends shall be paid up to the date when Class B preferred shares are redeemed, and shall be calculated on the basis of the actual number of issuance days in the year.

(i) Upon the issuance of new shares of common stock by cash capital increase, holders of Class C preferred shares have the same preferred stock options as common stock shareholders.

(j) During the issuance period, Class C preferred shares are not listed for trading. However, where Class C preferred shares are fully or partly converted to common stock, the board of directors are authorized to apply for public trading from the competent authority in accordance with relevant regulations depending on the current situation.

(C) Additional paid-in capital

	Dec. 31, 2020	Dec. 31, 2019
Form shares of changes in equities of subsidiaries	$5,717	$5,717
The differences between the fair value of consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	16,940	16,940
Share of changes in net assets of associates and joint ventures accounted for using the equity method	(2,675)	(2,675)
Restricted stocks for employees	2,543	25,729
Premium from preferred stocks issued	198,198	—
Total	$220,723	$45,711

(a) According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(b) According to the prevailing laws and regulations, each year, the amount of capital increase transferred from capital reserve arising from premiums on issuance of capital stock and donations cannot exceed 10% of the Company's total issued capital.

(D) Retained earnings and dividend policies

According to the Company's original Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

According to the Company's original Articles of Incorporation, the earnings distribution or offset the losses operation may be made on a quarterly basis after the close of each quarter. According to Article 228-1and Article 240-5 of company law, distribution of earnings by way of cash dividends should be approved by board of directors' meeting and reported to shareholders' meeting.

(a) Payment of all taxes and dues;
(b) Offset prior years' operation losses;
(c) Set aside 10% of the remaining amount as legal reserve;
(d) Set aside or reverse special reserve in accordance with the requirements for operating and law and regulations;
(e) The remaining balance combined with the undistributed earnings accumulated during previous years shall be distributed to the shareholders as dividends.

The Company shall take into account the changing environment of the industry and development stage of the Company in meeting the needs of capital in the future and in establishing long-term financial planning together with satisfying the shareholders' demand for cash. The earnings distributed for the current year shall not be lower than 10% of accumulated distributable earnings and shall not be distributed if the accumulated distributable earnings is lower than 1% of contributed capital. Cash dividends distributed shall not be lower than 10% of the dividends distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Following the adoption of TIFRS, the FSC on 6 April 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Details of 2020 and 2019 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on March 10, 2021 and June 18, 2020, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2020	2019	2020	2019
Legal reserve	－	$53,719		
Special reserve	$88,258	$18,729		
Cash dividends	－	$82,849	－	$0.15

Please refer to Note 6.(23) for further details on employees' compensation and remuneration to directors.

(19) SHARE-BASED PAYMENT PLANS

Restricted stocks plan for employees

The Company issued restricted stocks for employees on November 25, 2019 at $0 per share in the amount of $50,000 thousand, totaling 5,000 thousand shares. The share price at grant date was $15.8 per share.

Restriction on the rights and vesting conditions of restricted stocks for employees is as follows:

a. The restricted stock awards the employees will obtain was kept by the designated trust institution as trustee, which the employee cannot request to return the restricted stock awards for any reasons or ways.
b. Before accomplishing the vesting conditions, the employee cannot sell, pledge, transfer, gift, set or dispose in other ways, and they have no right to be allotted or obtaining dividends. Other rights are similar with the capital that has been issued.
c. Before the employee accomplish the vesting conditions, the attendance, proposal, speaking, right of voting, and other matters associated with shareholders meeting were executed based on the trust custody contracts.
d. From the book closure date of issuance of bonus shares, cash dividends, issuance of common stock for cash, shareholders meeting regulated by Article 165-3 of company law, or other facts that has occurred to the date of rights allocation. The unrestricted stocks of the employees that have accomplished the vesting conditions during the aforementioned period still have no rights to obtain dividends or allotment.

For the years ended December 31, 2020 and 2019, the Company incurred expenses of $27,581 thousand and $4,428 thousand for the share-based payment transactions respectively.

(20) OPERATING REVENUE

The details are as follow:

	For the years ended December 31	
	2020	2019
Revenue from contracts with customers		
Sales of IC packaging and testing service	$8,045,549	$10,101,028
Sales of electronics manufacturing service	5,366,855	6,633,839
Other operating revenue	155,294	501,047
Total	$13,567,698	$17,235,914

(A) Disaggregation of revenue

For the years ended December 31, 2020	Semiconductor Group	EMS Group	Total
Sales of IC packaging and testing service	$8,045,549	—	$8,045,549
Sales of electronics manufacturing service	—	$5,366,855	5,366,855
Other operating revenue	121,610	33,684	155,294
Total	$8,167,159	$5,400,539	$13,567,698
Timing of revenue recognition:			
Over time	$8,045,549	—	$8,045,549
At a point in time	121,610	$5,400,539	5,522,149
Total	$8,167,159	$5,400,539	$13,567,698

For the years ended December 31, 2019	Semiconductor Group	EMS Group	Total
Sales of IC packaging and testing service	$10,101,028	—	$10,101,028
Sales of electronics manufacturing service	—	$6,633,839	6,633,839
Other operating revenue	426,456	74,591	501,047
Total	$10,527,484	$6,708,430	$17,235,914
Over time	$10,101,028	—	$10,101,028
At a point in time	426,456	$6,708,430	7,134,886
Total	$10,527,484	$6,708,430	$17,235,914

(B) Contract balances

(a) Contract assets-current

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
Sales of IC packaging and testing service	$304,825	$302,982	$425,684

As of December 31, 2020 and 2019, the Company does not have an unconditional right to receive the consideration in the contract and transferred to accounts receivables at the reporting date were $304,825 thousand and $302,982 thousand, respectively.

(b) Contract liabilities-current

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
Sales of IC packaging and testing service	$25,365	$27,845	$15,150

As of December 31, 2020, and 2019, the Company recognized $3,748 thousand and $3,989 thousand, respectively, in revenues from the contract liabilities balance at the beginning of the period.

(C) Transaction price allocated to unsatisfied performance obligations

None.

(D) Assets recognized from costs to fulfil a contract

None.

(21) EXPECTED CREDIT LOSSES/(GAINS)

	For the years ended December 31	
	2020	2019
Operating expenses-expected credit (gains) losses		
Accounts receivable and contract assets	($3,488)	$7,714
Non-operating income and expenses-expected credit (gains) losses		
Other receivables	(1,148)	1,148
Total	($4,636)	$8,862

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its contract assets and accounts receivables at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2020 and 2019 are as follow:

The Company considers the grouping of contract assets and accounts receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follow:

As of December 31, 2020

Semiconductor Group

		Overdue					
	Not yet due (Note)	Within 30 days	31-60 days	61-90 days	91-180 days	After 181 days	Total
Gross carrying amount	$1,838,042	$190,670	$23,678	—	—	$1,911	$2,054,301
Loss ratio	0%~0.66%	0%~3.70%	24.59%	50.49%	67.48%	100%	
Lifetime expected credit losses	5,639	7,028	5,822	—	—	1,911	20,400
Carrying amount of trade receivables	$1,832,403	$183,642	$17,856	—	—	—	$2,033,901

EMS Group

		Overdue					
	Not yet due (Note)	Within 30 days	31-60 days	61-90 days	91-180 days	After 181 days	Total
Gross carrying amount	$628,939	$9,473	$1,630	—	—	$47	$640,089
Loss ratio	0%~0.04%	1.20%	7.13%	17.58%	35.49%	100%	
Lifetime expected credit losses	261	114	116	—	—	47	538
Carrying amount of trade receivables	$628,678	$9,359	$1,514	—	—	—	$639,551

As of December 31, 2019

Semiconductor Group

		Overdue					
	Not yet due (Note)	Within 30 days	31-60 days	61-90 days	91-180 days	After 181 days	Total
Gross carrying amount	$1,613,762	$131,993	$11,053	$11,059	$5,995	$4,139	$1,778,001
Loss ratio	0%~0.35%	0%~2.13%	0%~19.86%	0%~50.03%	0.01%~69.01%	100%	
Lifetime expected credit losses	3,121	2,608	2,160	5,533	4,137	4,139	21,698
Carrying amount of trade receivables	$1,610,641	$129,385	$8,893	$5,526	$1,858	—	$1,756,303

EMS Group	Not yet due (Note)	Overdue: Within 30 days	31-60 days	61-90 days	91-180 days	After 181 days	Total
Gross carrying amount	$1,130,155	$46,084	$19,180	$5,514	$1,962	$1,313	$1,204,208
Loss ratio	0%~0.04%	1.55%	4.01%	14.05%	18.84%	100%	
Lifetime expected credit losses	458	714	769	774	370	1,313	4,398
Carrying amount of trade receivables	$1,129,697	$45,370	$18,411	$4,740	$1,592	—	$1,199,810

(Note): The Company's note receivables are not overdue.

The movement in the provision for impairment of contract assets, note receivables and trade receivables for the years ended December 31, 2020 and 2019 is as follows:

	Contract assets	Notes receivables	Accounts receivables
Bal. as of Jan. 1, 2020	—	—	$26,096
Addition/(reversal) for the current period	—	—	(3,488)
Write off uncollectible accounts			(1,670)
Bal. as of Dec. 31, 2020	—	—	$20,938
Bal. as of Jan. 1, 2019	—	—	$18,382
Addition for the current period	—	—	7,714
Bal. as of Dec. 31, 2019	—	—	$26,096

(22) <u>LEASES</u>

A. Company as a lessee

The Company leases various properties, including real estate such as land and buildings, transportation equipment and other equipment. The lease terms range from 3 to 51 years.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

The carrying amount of right-of-use assets

	Dec. 31, 2020	Dec. 31, 2019
Land	$161,920	$150,742
Transportation equipment	4,648	8,793
Other equipment	—	—
Total	$166,568	$159,535

For the years ended December 31, 2020 and 2019, the Company's additions to right-of-use assets amounting to $24,152 thousand and $65,949 thousand respectively.

II. Lease liabilities

	Dec. 31, 2020	Dec. 31, 2019
Current	$14,882	$13,864
Non-current	153,193	146,759
Lease liabilities	$168,075	$160,623

Please refer to Note 6.(24)(4) for the interest on lease liabilities recognized for the years ended December 31, 2020, and 2019,and refer to Note 12.(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2020.

(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31	
	2020	2019
Land	$12,830	$12,949
Transportation equipment	4,288	4,679
Other equipment	—	687
Total	$17,118	$18,315

(c) Income and costs relating to leasing activities

	For the years ended December 31	
	2020	2019
The expenses relating to short-term leases	$2,217	$2,304
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	3,324	3,396

For the rent concession arising as a direct consequence of the covid-19 pandemic, the Company recognized in other income for the years ended December 31, 2020 were $1,471 thousand, to reflect changes in lease payments that arise from such rent concession to which the Company has applied the practical expedient.

(d) Cash outflow relating to leasing activities

For the years ended December 31, 2020 and 2019, the Company's total cash outflows for leases amounting to $21,225 thousand and $24,494 thousand.

B. Company as a lessor

Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended December 31	
	2020	2019
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$18,912	$24,625

Please refer to Note 6.(9) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2020 and 2019 are as follow:

	Dec. 31, 2020	Dec. 31, 2019
Not later than one year	$7,867	$24,092
Later than one year but not later than two years	6,688	21,610
Later than two years but not later than three years	4,254	14,296
Later than three years but not later than four years	3,191	4,254
Later than four years but not later than five years	—	3,191
Later than five years	—	—
Total	$22,000	$67,443

(23) SUMMARY STATEMENTS OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION

	For the years ended December 31					
	2020			2019		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$2,184,592	$393,755	$2,578,347	$2,615,433	$443,050	$3,058,483
Pension	103,384	22,285	125,669	104,588	20,640	125,228
Labor and health insurance	257,396	40,510	297,906	288,237	39,635	327,872
Remuneration to directors	—	3,175	3,175	—	14,963	14,963
Other employee benefits expense	240,567	45,187	285,754	161,803	51,487	213,290
Depreciation	1,367,950	53,018	1,420,968	1,392,451	53,583	1,446,034
Amortization	23,837	27,319	51,156	38,471	26,764	65,235

(1) As of December 31, 2020 and 2019, the total number of employees of the Company were 5,464 and 6,393, including 4 and 5 non-employee directors, respectively.

(2) Companies listed on the TWSE should disclosure the following information：

A. The Company's average employee benefit expenses for the years ended December 31, 2020 and 2019 were $557 thousand and $590 thousand, respectively.

B. The Company's average salary expenses for the years ended December 31, 2020 and 2019 were $436 thousand and $484 thousand.

C. The Company's average salary expense adjustment for the years ended December 31, 2020 decreased by 9.92%.

D. The Company has set up an audit committee to replace the supervisor

E. The Company formulates salary policies under labor laws, external market levels internal equity, and company operating performance. Employees' compensation includes monthly salary, various incentive measures, and bonuses to motivate employees to show higher performance and energy, to create a mutually beneficial environment for both employers and employees.

According to the resolution, the employee's compensation and remuneration to directors is based on the current year's earnings, which should be used first to cover accumulated deficit, if any, and then the remaining balance shall be distributed: 8%~12% as employees' compensation, and no more than 3% as remuneration to directors.

The distribution ratio of employee's compensation and remuneration to directors and employee's compensation may be made in the form of stocks or cash, which shall be determined by a resolution adopted by a majority vote at a board of directors meeting attended by two-thirds or more of the directors and be reported at a shareholders' meeting. Cash or stock dividends as bonus to employees shall only be given to employees who satisfy certain conditions.

The Company was net loss before tax for the years ended December 31, 2020; therefore, no compensation for employees and remuneration of directors was accrued.

Based on the profit of the years ended December 31, 2019, the Company estimated the employees' compensation and remuneration to directors amounts to $60,921 thousand and $11,423 thousand, respectively, which are accounted for as salary expense.

No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the years ended December 31, 2019.

Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

(24) NON-OPERATING INCOME AND EXPENSES

(A) Interest income

	For the years ended December 31	
	2020	2019
Financial assets measured at amortized cost	$10,324	$10,833

(B) Other income

	For the years ended December 31	
	2020	2019
Rental income	$18,912	$24,626
Other income	53,416	17,210
Total	$72,328	$41,836

(C) Other gains and losses

	For the years ended December 31	
	2020	2019
Gains on disposal of property, plant and equipment	$3,384	$41,191
Foreign exchange (losses) gains, net	(76,723)	(48,962)
Other losses	(657)	—
Total	($73,996)	($7,771)

(D) Finance costs

	For the years ended December 31	
	2020	2019
Interest on borrowings from bank	($69,783)	($110,459)
Interest on lease liabilities	(3,335)	(3,301)
Others	(185)	(41)
Dividends on preferred stock liabilities	(603)	—
Total	($73,906)	($113,801)

(25) COMPONENTS OF OTHER COMPREHENSIVE INCOME(LOSS)

For the years ended December 31, 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	($34,730)	—	($34,730)	$6,946	($27,784)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(119,628)	—	(119,628)	23,926	(95,702)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating of foreign operation	(23,475)	—	(23,475)	4,695	(18,780)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	272	—	272	—	272
Total of other comprehensive income	($177,561)	—	($177,561)	$35,567	($141,994)

For the years ended December 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	($8,772)	—	($8,772)	$1,754	($7,018)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(8,018)	—	(8,018)	416	(7,602)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating of foreign operation	(18,965)	—	(18,965)	3,793	(15,172)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,081	—	1,081	—	1,081
Total of other comprehensive income	($34,674)	—	($34,674)	$5,963	($28,711)

(26) INCOME TAX

(A) The major components of income tax (expense) income are as follows:

(a) Income tax (expense) income recognized in profit or loss

	For the years ended December 31	
	2020	2019
Current income tax (expense) benefit income:		
Current income tax charge	($12,118)	—
Adjustments in respect of current income tax of prior periods	—	($341)
Deferred tax (expense) income:		
Deferred tax (expense) relating to origination and reversal of temporary differences	(8,612)	(3,764)
Deferred tax (expense) relating to origination and reversal of tax loss and tax credit	—	(141,936)
Total income tax (expense) benefit	($20,730)	($146,041)

(b) Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2020	2019
Deferred tax income:		
Remeasurements of defined benefit plans	$6,946	$1,754
Unrealized (gains) losses from equity instruments investments measured at fair value through other comprehensive income	23,926	416
Exchange differences resulting from translating a foreign operation	4,695	3,793
Income tax relating to components of other comprehensive income	$35,567	$5,963

(B) Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31	
	2020	2019
Accounting profit (loss) before tax from continuing operations	($245,393)	$734,001
At parent company statutory income tax rate	49,078	(146,800)
Tax effect of revenues exempt from taxation	5,106	4,013
Tax effect of non-deductible expenses from taxation	(352)	—
Tax effect of deferred tax asset/liability	(57,338)	3,042
Other adjustment due to taxation	(5,106)	(5,955)
Adjustments in respect of current income tax of prior periods	—	(341)
Withholding tax of repatriated offshore funds	(12,118)	—
Total income tax (expense) benefit recognized in profit or loss	($20,730)	($146,041)

(C) Deferred tax assets (liabilities) relate to the following:

For the years ended December 31, 2020

	Beginning balance as of Jan. 1, 2020	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of Dec. 31, 2020
Temporary differences				
Unrealized exchange gains and losses	$1,034	$3,610	—	$4,644
Loss on inventory obsolescence	60,961	(3,103)	—	57,858
Investments accounted for using the equity method	1,138,423	(39,069)	$4,695	1,104,049
Unrealized (gains) losses from financial assets measured at fair value through other comprehensive income	(31,272)	—	23,926	(7,346)
Loss allowance	230	(230)	—	—
Impairment of assets	2,109	—	—	2,109
Non-current liability – Defined benefit Liability	87,829	(16,267)	6,946	78,508
Compensated absences	5,236	1,013	—	6,249
Other	17,390	(96)	—	17,294
Unused tax losses	232,847	45,530	—	278,377
Deferred tax (expense)/ income		($8,612)	$35,567	
Net deferred tax assets/(liabilities)	$1,514,787			$1,541,742
Reflected in balance sheet as follows:				
Deferred tax assets	$1,546,059			$1,549,088
Deferred tax liabilities	$31,272			$7,346

For the years ended December 31, 2019

	Beginning balance as of Jan. 1, 2019	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of Dec. 31, 2019
Temporary differences				
Unrealized exchange gains and losses	($1,951)	$2,985	—	$1,034
Loss on inventory obsolescence	49,774	11,187	—	60,961
Investments accounted for using the equity method	1,139,737	(5,107)	$3,793	1,138,423
Unrealized (gains) losses from financial assets measured at fair value through other comprehensive income	(31,688)	—	416	(31,272)
Loss allowance	—	230	—	230
Impairment of assets	2,109	—	—	2,109
Non-current liability – Defined benefit Liability	99,180	(13,105)	1,754	87,829
Compensated absences	4,651	585	—	5,236
Other	17,929	(539)	—	17,390
Unused tax losses	374,783	(141,936)	—	232,847
Deferred tax (expense)/ income		($145,700)	$5,963	
Net deferred tax assets/(liabilities)	$1,654,524			$1,514,787
Reflected in balance sheet as follows:				
Deferred tax assets	$1,688,163			$1,546,059
Deferred tax liabilities	$33,639			$31,272

(D) The following table contains information of the unused tax losses of the Company:

Year	Tax losses for the period	Unused tax losses as of Dec. 31, 2020	Unused tax losses as of Dec. 31, 2019	Expiration year	Note
2017	$1,155,026	$958,742	$958,742	2027	Assessed
2018	498,015	498,015	498,015	2028	Non-assessed
2020	227,652	227,652	—	2030	Non-assessed
	Total	$1,684,409	$1,456,757		

(E) Unrecognized deferred tax assets

As of December 31, 2020 and 2019, deferred tax assets that have not been recognized as they may not be used to offset taxable profits were $104,034 thousand and $58,504, respectively.

(F) The assessment of income tax returns

As of December 31, 2020, the assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2017

(27) EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible bonds payable) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31	
	2020	2019
(a) Basic (losses) earnings per share		
(Loss) Profit attributable to ordinary equity holders of the Company (in thousand NT$)	($266,123)	$587,960
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	552,467	552,329
Basic (losses) earnings per share (NT$)	($0.48)	$1.06

	For the years ended December 31	
	2020	2019
(b) Diluted earnings (losses) per share		
Profit (Loss) attributable to ordinary equity holders of the Company (in thousand NT$)	($266,123)	$587,960
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	552,467	552,329
Effect of dilution:		
Employee compensation－stock (in thousands)	－	4,102
Weighted average number of ordinary shares outstanding after dilution (in thousands)	552,467	556,431
Diluted earnings (losses) per share (NT$)	($0.48)	$1.06

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements. In addition, the Company was net loss for the years ended December 31, 2020, so there was no dilution effect on the earnings per share.

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
ORIENT SEMICONDUCTOR ELECTRONICS PHILIPPINES, INC. (OSEP)	Subsidiary
OSE USA, INC.（OSEU）	Subsidiary
ATP ELECTRONICS TAIWAN INC.(ATP)	Associate
INFOFAB, INC.(INFOFAB)	Associate
OSE PROPERTIES, INC.(PROPERTIES)	Associate
OSE INTERNATIONAL LTD. (B.V.I)	Subsidiary
COREPLUS (HK) LIMITED. (COREPLUS)	Subsidiary
OAE TECHNOLOGY, INC.(OAE)	Substantive related party (No longer listed as a related party in the fourth quarter in 2020)
SCREENBEAM,INC (SCREENBEAM)	Substantive related party (No longer listed as a related party in the fourth quarter in 2020)

Name of the related parties	Nature of relationship of the related parties
INFOACTION TECHNOLOGY, INC. (INFOACTION)	Substantive related party (No longer listed as a related party in the fourth quarter in 2020)
GOLFWARE INC.(GOLFWARE)	Substantive related party (No longer listed as a related party in the fourth quarter in 2020)
VALUE PLUS TECHNOLOGY (SUZHOU) CO. (VALUEPLUS)	Subsidiary
PHISON ELECTRONICS CORPORATION (PHISON)	Legal Director of the Company
LONGSYS ELECTRONICS (TAIWAN) CO., LTD. (LONGSYS)	Legal Director of the Company (No longer listed as a related party in the third quarter in 2019)
LONGSYS (HK) ELECTRONICS CO., LTD. (LONGSYS)	Associate of Legal Director of the Company (No longer listed as a related party in the third quarter in 2019)
CHIPBOND TECHNOLOGY CORPORATION(CHIPBOND)	The investor of Company under the equity method

(1) Significant transactions with related parties:

(A) Sales

	For the years ended December 31	
	2020	2019
Associates	$137,373	$216,110
PHISON	1,760,738	2,332,055
LONGSYS(Note)	–	748,726
Other related party	7,688	16,616
Total	$1,905,799	$3,313,507

The sales price to the above related parties was determined through mutual agreement based on the market rates. The details of credit period are 30～60 days. The outstanding balance at December 31, 2020 and 2019 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(B) Purchase

	For the years ended December 31	
	2020	2019
COREPLUS	$298,234	$579,968
Subsidiaries	8,032	23,439
Associates	–	1,162
Key management personnel of the Company	472	74
Other related party	1,916	8,817
Total	$308,654	$613,460

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers

(C) Accounts Receivable

	Dec. 31, 2020	Dec. 31, 2019
ATP	$21,643	$32,904
PHISON	208,278	194,116
Other related party	－	2,537
Less: loss allowance	(－)	(－)
Total	$229,921	$229,557

(D) Other Receivable

	Dec. 31, 2020	Dec. 31, 2019
VALUEPLUS	$21,152	$3,033
Associates	250	266
ATP	1,043	2,512
Key management personnel of the Company	176	－
Total	$22,621	$5,811

(E) Accounts Payable

	Dec. 31, 2020	Dec. 31, 2019
COREPLUS	$12,312	$169,039
Subsidiaries	90	253
OSEU	6,411	1,602
INFOFAB (Note)	1,268	36,587
Other related party	－	1,826
Associates	953	－
Key management personnel of the Company	265	70
Total	$21,299	$209,377

(Note): The payments are the purchase of computer software.

(F) Lease

Rental income

	For the years ended December 31	
	2020	2019
ATP	$4,258	$4,258
INFOFAB	2,937	2,940
Other related party	32	42
Associates	184	－
Total	$7,411	$7,240

(G) Transaction of properties

For the years ended December 31, 2020

Counterparties	Property	Amount	Gain (loss) on sales of assets	The basis of transaction price
Purchases				
INFOFAB	Computer software	$12,223	Not applicable	Negotiate
Subsidiaries	Other equipment	249	Not applicable	Negotiate
Associates	Machinery and equipment	285	Not applicable	Negotiate
	Total	$12,757		

Counterparties	Property	Unreduced balance	Sale price	Gain (loss) on sales of assets	The basis of transaction price
Sales					
VALUEPLUS	Other equipment	—	$4	$4	Negotiate
VALUEPLUS	Machinery and equipment	—	5	5	Negotiate
	Total	—	$9	$9	

For the years ended December 31, 2019

Counterparties	Property	Amount	Gain (loss) on sales of assets	The basis of transaction price
Purchases				
INFOFAB	Other equipment	$2,224	Not applicable	Negotiate
INFOFAB	Computer software	15,887	Not applicable	Negotiate
	Total	$18,111		

Counterparties	Property	Unreduced balance	Sale price	Gain (loss) on sales of assets	The basis of transaction price
Sales					
VALUEPLUS	Machinery and equipment	—	$31,178	$31,178	Negotiate

(H) Intercompany borrowing

Related parties	Dec. 31, 2020 Maximum amount	Dec. 31, 2020 Amount	Interest rates	Interest income (expense)
Amount lent to: (included in long-term receivables-affiliates accounts)				
OSEP	$476,298 (USD16,724 thousand)	$476,298 (USD16,724 thousand)	1.80％～2.00％	$7,851

Related parties	Dec. 31, 2019 Maximum amount	Amount	Interest rates	Interest income (expense)
Amount lent to: (included in long-term receivables-affiliates accounts)				
OSEP	$370,127 (USD12,305 thousand)	$370,127 (USD12,305 thousand)	2.00%	$7,596

(I) Compensation of key management personnel

	For the years ended December 31	
	2020	2019
Short-term employee benefits	$39,632	$64,055
Post-employment benefits	783	879
Share-based payment	3,052	710
Total	$43,467	$65,644

(J) Other disclosures

A. The Company has engaged with OSEU as its sales and collection agent in America. For the years ended December 31, 2020 and 2019, total commission expenses amounted to $46,407 thousand and $58,312 thousand. The amount unpaid as of December 31, 2020 and 2019 were $8,506 thousand and $11,186 thousand, which were included in accrued expenses account.

B. As of December 31, 2020 and 2019, the Company paid $0 and $6,489 thousand、$40,428 thousand and $89,288 thousand service fees to maintain information system of INFOFAB, respectively, which are accounted for as maintenance expenses. As of December 31, 2020 and 2019, the unpaid maintenance expenses amounted to $1,268 thousand and $36,587 thousand, respectively, which were recorded under accounts payable – affiliates-account.

C. Due to the issuance of preferred stock liabilities in 2020, the Company has to pay the interest expenses $603 thousand to CHIPBOND TECHNOLOGY. The unpaid interest expenses amounted to $603 thousand were recorded under the account of other payable – affiliates.

D. The summary of the guaranty/ warranty balance toward the Company's affiliates is as follows:

	Dec. 31, 2020	Dec. 31, 2019
COREPLUS	$71,200 (USD 2,500 thousand)	$75,200 (USD 2,500 thousand)
OSEP	$28,480 (USD 1,000 thousand)	—

8. ASSETS PLEDGED AS SECURITY

The following table lists assets of the Company pledged as security:

Assets pledged for security	Carrying amount Dec. 31, 2020	 Dec. 31, 2019	Secured liabilities details
Other financial assets–current–time deposits	$6,550	$46,214	Short and long-term borrowings
Other financial assets–current–deposits reserved for repayment	20,005	108,012	Short and long-term borrowings
Investments accounted for using the equity method –ATP	—	171,403	Short-term borrowings
Property, plant and equipment–Buildings	828,872	860,389	Short and long-term borrowings
Property, plant and equipment–Machinery and equipment	1,445,936	2,096,755	Short and long-term borrowings
Property, plant and equipment–Assets leased to others–Buildings	3,130	139,225	Long-term borrowings
Refundable deposits-time deposits	145,300	131,500	Customs export guarantee and Other
Total	$2,449,793	$3,553,498	

9. COMMITMENTS AND CONTINGENCIES

(1) Guarantee given by the bank for the payment of input tax imposed for sales from a tax free zone to non tax free zone amounted to $400,000 thousand.

(2) The Company issued promissory notes of $4,745,928 thousand as guarantees for bank loans.

(3) The Company issued promissory notes of $15,108 thousand as guarantee for project.

(4) The Company has acted as a subcontractor for processing electronic products and provided storage services for outsiders. As of December 31, 2020, the Company kept the processed electronic products of $10,162,827 thousand and raw materials of $466,664 thousand on custodian.

(5) As of December 31, 2020, the Company had opened an unused letter of credit amounting to USD 480 thousand.

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

To make the group's resources utilized effectively and generate the shareholders' maximum profits, the board resolution was passed to close down the subsidiary, OSE USA Inc., on January 26, 2021 as a result of the rapid changes of global business environments as well as the negative impact of COVID-19.

12. FINANCIAL INSTRUMENTS

(1) Categories of financial instruments

Financial assets	Dec. 31, 2020	Dec. 31, 2019
Financial asset at fair value through profit or loss	$6,486	—
Financial assets at fair value through other comprehensive income	107,232	$226,860
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	1,641,429	1,490,904
Financial assets measured at amortized cost	131,045	—
Notes, accounts and other receivables	2,417,692	2,687,504
Other financial asset	26,555	154,226
Long-term receivables-Affiliates	476,298	496,399
Subtotal	4,693,019	4,829,033
Total	$4,806,737	$5,055,893

Financial liabilities	Dec. 31, 2020	Dec. 31, 2019
Financial liabilities at amortized cost:		
Short-term borrowings	$1,101,572	$2,373,766
Short-term notes payable	—	379,210
Notes, accounts and other payable	2,962,657	4,173,933
Long-term loans (including of current portion)	861,600	2,095,326
Lease liabilities	168,075	160,623
Preferred stock liabilities	1,006,485	—
Total	$6,100,389	$9,182,858

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies measures and manages the aforementioned risks based on the company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

(A)Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The company's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD and foreign currency JPY.

(B)Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

(C) Equity price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed equity securities are classified under held for trading financial assets or available-for-sale financial assets, while unlisted equity securities are classified as available-for-sale. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

(D) Risks of pre-tax Sensitivity analysis are as follows:

For the years ended December 31, 2020

Key risk	Variation	Sensitivity of profit and loss	Sensitivity of equity
Foreign currency risk	NTD/USD Foreign currency +/− 1%	+/− 15,266 thousand	−
	NTD/JPY Foreign currency +/− 1%	−/+ 1,264 thousand	−
Interest rate risk	Market rate +/− 10 fundamental proposition	+/− 1,964 thousand	−
Equity price risk	Market price +/− 10 fundamental proposition	−	+/− 1,072 thousand

For the years ended December 31, 2019

Key risk	Variation	Sensitivity of profit and loss	Sensitivity of equity
Foreign currency risk	NTD/USD Foreign currency +/− 1%	+/− 15,337 thousand	−
	NTD/JPY Foreign currency +/− 1%	+/− 373 thousand	−
Interest rate risk	Market rate +/− 10 fundamental proposition	+/− 4,469 thousand	−
Equity price risk	Market price +/− 10 fundamental proposition	−	+/− 2,269 thousand

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the company's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2020 and 2019, amounts receivables from top ten customers represent 81.97% and 84.74% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the company's treasury in accordance with the company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of Dec. 31, 2020					
Borrowings	$1,344,285	$620,000	—	—	$1,964,285
Lease liabilities	17,933	30,989	29,411	118,653	196,986
Preferred stock liabilities	603	40,000	40,000	1,019,451	1,100,054
As of Dec. 31, 2019					
Borrowings	$3,567,916	$867,994	$36,842	—	$4,472,752
Short-term notes payable	379,210	—	—	—	379,210
Lease liabilities	17,170	29,798	25,001	123,386	195,355

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the years ended December 31, 2020:

	As of Jan. 1, 2020	Cash flows	Foreign exchange movement	Others	As of Dec. 31, 2020
Short-term borrowings	$2,373,766	($1,272,327)	—	$133	$1,101,572
Long-term borrowings	2,095,326	(1,238,142)	—	4,416	861,600
Lease liabilities	160,623	(15,684)	—	23,136	168,075
Refundable deposits	3,474	(50)	—	—	3,424
Short-term notes payable	379,210	(379,210)	—	—	—
Preferred stock liabilities	—	999,999	—	6,486	1,006,485

Reconciliation of liabilities for the years ended December 31, 2019:

	As of Jan. 1, 2019	Cash flows	Foreign exchange movement	Others	As of Dec. 30, 2019
Short-term borrowings	$2,806,857	($433,155)	—	$64	$2,373,766
Long-term borrowings	3,053,515	(962,010)	—	3,821	2,095,326
Lease liabilities	152,959	(18,794)	—	26,458	160,623
Refundable deposits	3,424	50	—	—	3,474
Short-term notes payable	349,610	29,600	—	—	379,210

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

(a) The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

(c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

Other than cash and cash equivalents, accounts receivables, accounts payable and other current liabilities whose carrying amount approximate their fair value, the fair value of the Company's financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying amount	
	Dec. 31, 2020	Dec. 31, 2019
Financial Assets		
Long-term receivables-affiliates	$476,298	$496,399
Financial liabilities		
Long-term borrowings	$861,600	$2,095,326
Lease liabilities	$168,075	$160,623
Preferred stock liabilities	$1,006,485	—

	Fair Value	
	Dec. 31, 2020	Dec. 31, 2019
Financial Assets		
Long-term receivables-affiliates	$476,298	$496,399
Financial liabilities		
Long-term borrowings	$861,600	$2,095,326
Lease liabilities	$168,075	$160,623
Preferred stock liabilities	$1,006,485	—

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(8) for fair value measurement hierarchy for financial instruments of the Company.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy:

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Company’s assets and liabilities:

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company’s assets and liabilities measured at fair value on a recurring basis is as follows:

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial asset at fair value through profit or loss				
Recovery value of preferred stock liabilities	—	—	$6,486	$6,486
Financial assets at fair value through other comprehensive income				
Equity instrument	—	$18,858	$88,374	$107,232

December. 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument	—	—	$226,860	$226,860

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	At fair value through profit or loss	At fair value through other comprehensive income
	Derivative financial instruments	Stock
Beginning balance as of Jan. 1, 2020	—	$226,860
Recognized in other comprehensive income	—	(119,628)
Transfer out of Level 3	—	(18,858)
Acquire/Issue in 2020	$6,486	—
Ending balance as of Dec. 31, 2020	$6,486	$88,374

	At fair value through profit or loss	At fair value through other comprehensive income
	Derivative financial instruments	Stock
Beginning balance as of Jan. 1, 2019	－	$234,878
Recognized in other comprehensive income	－	(8,018)
Transfer out of Level 3	－	－
Ending balance as of Dec. 31, 2019	－	$226,860

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

December 31, 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets : Financial asset at fair value through profit or loss					
Derivative financial instruments	Approach of interest rates assessment	Discount rate	1.697s2%	The higher the discount rate, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of discount rate would result in (decrease) increase in the Company's income by $6,216 thousand and $18,468 thousand.
Financial assets at fair value through other comprehensive income					
Stocks	(1) Market approach－P/E (2) Market approach －P/B	Discount for lack of marketability	20.00％ ~25.00％	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's equity by $997 thousand.

December 31, 2019

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets :					
Financial assets at fair value through other comprehensive income					
Stocks	(1) Market approach－P/E (2) Market approach －P/S (3) Option	(1) Discount rate (2) Discount for lack of marketability	11.59% ~25.06%	(1) The higher the discount rate, the lower the fair value of the stocks (2) The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's equity by $2,376 thousand.

C. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed:

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Long-term receivables-affiliates	－	$476,298	－	$476,298
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Long-term loans	－	861,600	－	861,600
Lease liabilities	－	168,075	－	168,075
Preferred stock liabilities	－	1,006,485	－	1,006,485

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Long-term receivables-affiliates	—	$496,399	—	$496,399
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Long-term loans	—	2,095,326	—	2,095,326
Lease liabilities	—	160,623	—	160,623

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	Dec. 31, 2020		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$106,812	28.48	$3,042,006
JPY	96,160	0.2766	26,598
Non-monetary items:			
USD	25,561	28.48	727,977
Financial liabilities			
Monetary items:			
USD	53,208	28.48	1,515,364
JPY	553,061	0.2766	152,977

	Dec. 31, 2019		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$128,553	30.08	$3,866,874
JPY	386,287	0.2771	107,040
Non-monetary items:			
USD	36,188	30.08	1,088,535
Financial liabilities			
Monetary items:			
USD	77,567	30.08	2,333,215
JPY	251,559	0.2771	69,707

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

The Company's entities functional currencies are various, and hence are not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange (losses) gains were ($76,723) thousand and ($48,962) thousand for the years ended December 31, 2020 and 2019, respectively.

(10) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

VII. Review and analysis of financial status and financial performance and risk matters

I. Financial status

Unit: NTD thousand

Item \ Fiscal Year	2020	2019	Increase (decrease) amount	Proportion of change	Analysis of change (Note)
Current assets	6,019,664	6,258,470	(238,806)	(3.82%)	
Property, plant and equipment	5,285,569	6,264,246	(978,677)	(15.62%)	
Intangible assets	34,706	58,445	(23,739)	(40.62%)	
Other assets	3,143,880	3,337,589	(193,709)	(5.80%)	
Total assets	14,483,819	15,918,750	(1,434,931)	(9.01%)	
Current liabilities	4,649,366	8,263,388	(3,614,022)	(43.74%)	
Non-current liabilities	2,231,685	1,589,207	642,478	40.43%	
Totalliabilities	6,881,051	9,852,595	(2,971,544)	(30.16%)	(I)
Equity attributed to owners of the parent company	7,602,768	6,066,155	1,536,613	25.33%	
Capital	7,372,225	5,573,285	1,798,940	32.28%	(II)
Capital reserve	220,723	45,711	175,012	382.87%	(III)
Retained earnings(loss)	160,707	537,191	(376,484)	(70.08%)	(IV)
Other equity	(150,887)	(90,032)	(60,855)	67.59%	(V)
Total equity	7,602,768	6,066,155	1,536,613	25.33%	

(Note): Analysis for proportion of change between the current and the previous period which reaches 20% and the amount is considerable

Analysis for proportion of change:

(I) Total liabilities decreased by NT$2,971,544 thousand over the same period last year, mainly due to the issuance of Preferred Shares B (debt-like preferred Shares) before the end of the year, and the proceeds received from the private placement were used to repay bank loans.

(II) The capital stock increased by NT$1,798,940 thousand over the same period last year, which was mainly due to the issuance of $1,801,800 thousand of Preferred Shares C before the end of the year, and the partial recovery and cancellation of new shares with restricted Employees' rights for capital reduction.

(III) The increase in capital surplus of NT$175,012 thousand over the same period last year was mainly due to the issuance of preferred shares at a premium of $1.10 per share, which resulted in a preferred share premium of NT$198,198 thousand, and the first reversal of NT$23,186 thousand in the second year of the new shares with restricted Employee rights that did not meet the vesting conditions.

(IV) Retained earnings went down by NT$376,484 thousand over the same period last year, mainly due to the payment of cash dividends of NT$82,849 thousand for 2019, a decrease of NT$27,512 thousand in the re-measurement of defined benefit plans, and a decrease of earnings of NT$266,123 thousand for the period.

(V) Other equity reduced by NT$60,855 thousand mainly due to the decrease rate in foreign currency exchange differences of financial statements for foreign operating agencies, the effect of net foreign currency exchange loss by the USD (30.08→28.48), reduced by NT$18,780 thousand, the increase of NT$95,702 thousand in the after-tax effect of unrealized valuation loss on investments in equity instruments recognized through other comprehensive income or loss at fair value, and the reversal of unearned Employee compensation recognized in the issuance of new shares with restricted Employee rights of NT$53,627 thousand.

II. Financial performance

Unit: NTD thousand

Item	2020	2019	Increase (decrease) amount	Proportion of change	Analysis of change (Note)
Operating revenue	13,851,909	17,515,145	(3,663,236)	(20.91%)	
Operating margin	697,353	1,772,942	(1,075,589)	(60.67%)	(I)
Operating income (loss)	(186,030)	776,472	(962,502)	(123.96%)	(I)
Non-operating income and expenses	(57,178)	(39,879)	(17,299)	(43.38%)	(II)
Net income (loss) before tax	(243,208)	736,593	(979,801)	(133.02%)	
Net income(loss) from continuing operations	(266,123)	587,960	(854,083)	(145.26%)	
Loss of discontinued operations	–	–	–	–	
Net income (loss)	(266,123)	587,960	(854,083)	(145.26%)	
Other comprehensive income /loss (net of tax) of current period	(141,994)	(28,711)	(113,283)	(394.56%)	
Total comprehensive income (loss)	(408,117)	559,249	(967,366)	(172.98%)	
Net income attributed to the owner of parent company	(266,123)	587,960	(854,083)	(145.26%)	
Net income attributed to non-controlling interest	–	–	–	–	
Total comprehensive income attributed to the owner of parent company	(408,117)	559,249	(967,366)	(172.98%)	
Total comprehensive income attributed to non-controlling interest	–	–	–	–	
EPS (Note)	(0.48)	1.06			

Note: Analysis for proportion of change between the current and the previous period which reaches 20% and the amount is considerable

Analysis for proportion of change:

(I) Operating margin,net operating income (loss):
Semiconductor Business Unit in the first half of 2020, due to the impact of COVID-19 pandemic, customers reduced their orders in response to the freezing market situation, resulting in fewer orders for memory products and logic products in packaging, which weakened revenue growth. Although the pandemic began to subside in the third quarter and customers expected the market momentum to pick up, NAND Flash production capacity stabilized, and market demand increased, the overall gross profit and operating profit still decreased significantly in 2020 compared to 2019.
EMS Unit, in 2020, though the production volume of high-end server products increased, the orders from consumer electronics customers decreased, and the overall gross profit and net operating income decreased in 2020 compared to 2019, due to higher material costs for high-end server products.

(II) Non-operating income and (expenses):
Compared with the same period of last year, it decreased by 191.62%. During the year, the Company made efforts to improve the financial structure and reduced the finance costs by 33.63%, but the exchange rate fluctuation of the U.S. dollar was still very influential (30.08→28.48), resulting in a net foreign currency exchange loss, which led to a 43.38% decrease in non-operating income and expenses.

III. Cash flow

(I) An analysis of changes in cash flows for the most recent year is presented below.

Unit: NTD thousand

The amount of cash in the beginning of the period	Net cash flow from operating activities for this year	Net cash flows from investing activities for this year	Net cash flows from fundraising activities for this year	Effects of exchange rate changes on the balance of cash held in foreign currencies	The amount of cash left A+B-C
1,701,412	714,647	(635,020)	58,676	6,085	1,845,800

Analysis of changes in cash flows for 2020:

(1) Operating activities: The cash inflow from operating activities was mainly due to the increase in depreciation and the decrease in the net change in accounts payable in 2020.

(2) Investing activities: The net cash outflow from investing activities was mainly due to the cash outflow from the acquisition of property, plant and equipment in 2020.

(3) Fundraising activities: The net cash inflow from fundraising activities was mainly due to the issuance of Preferred Shares B and C in 2020.

(II) Analysis of cash liquidity for the coming year

Unit: NTD thousand

ash balance A in the beginning of the year	Projected net cash flow provided by operating activities in the whole year B	Projected cash outflow in the whole year C	Projected cash balance A+B-C
1,845,800	1,411,877	1,964,405	1,293,272

Analysis interpretation:

The Company project that the cash flow from the operating activities in the coming year is about NT$1,411,877 thousand, cash outflow in the whole coming year is about NT$1,964,405 thousand, cash balance in the end of the year is about NT$1,293,272 thousand.

IV. Major capital expenditures in the most recent years and the impact on finance and business

(I) Use status of major capital expenditures and source of the capital

1. Semiconductor Group

Plan	Actual or planned source of capital	Actual or planned date of completion	Total capital amount	Actual or planned use status of capital		
				2019	2020	2021
Sealing machine and dies	Proprietary funds, Long-term debt payable	December 2020	106,324	2,346	100,012	3,966
Laser printer		November 2020	41,804	4,024	37,780	—
Forming machine		November 2020	21,810	19,451	1,648	711
Appearance inspection machine		December 2020	17,324	16,452	436	436
Co-planar inspection machine		January 2020	16,293	14,664	1,629	—
Microscope		November 2020	13,087	—	13,087	—
Automatic cleaning machine		February 2020	10,368	6,402	3,966	—
Wafer thickness measuring machine		January 2020	10,048	7,034	3,014	—
X-RAY		November 2020	8,915	1,723	6,892	300
Ball-pulling machine		May 2020	8,540	2,875	5,665	—

2. Electronics Manufacturing Services Group

Plan	Actual or planned source of capital	Actual or planned date of completion	Total capital amount	Actual or planned use status of capital	
				2019	2020
Mounter	Proprietary funds, Long-term debt payable	December 2020	18,674	18,674	
Smart system testing machine		March 2020	10,762	10,762	
Nitrogen wave soldering furnace		August 2020	9,798	9,798	
X-RAY inspection machine		June 2020	9,519	9,519	
Automatic Optical Inspection System / Machine		December 2020	5,010	5,010	
EMS 3 Plant - SSD-3F Engineering		September 2020	4,452	4,452	
Automatic loading and unloading machine for Board cutting machine		January 2020	3,252	3,252	
Solder paste thickness inspection machine		April 2020	1,712	1,712	
Fully automated stencil measuring machine		October 2020	1,381	1,381	
BGA Patching Machine		February 2020	1,271	1,271	
Reflow oven		March 2020	1,071	1,071	
Online automatic optical inspection system / machine		February 2021	4,759		4,759
Pressing machine		January 2021	1,877		1,877
X-RAY inspection machine		March 2021	1,099		1,099

(II) The impact on finance and business:

1. Expand the capacity of flash memory-related products to increase the products' added level.
2. Increase the automatic production equipment to lower the dependence on the manpower, reduce the production procedure and improve the production quality.

V. Reinvestment policy in the most recent year, main reasons for profits or losses, improvement plans and investment plans for the coming year:

The Company's reinvestment policy is mainly to support the Company's efforts to cultivate its business and to increase Shareholders' equity through investment income; currently, the Company has established the "Criteria for Acquired or Disposed of Assets" in order to keep track of the financial and business status of its investment. In addition, the internal control system provides the regulation of "Subsidiaries Supervision Provisions" in order to supervise the subsidiaries to establish relevant procedures for major financial and business matters, and to supervise the implementation or establishment of subsidiary risk management mechanisms in accordance with the law, in order to maximize operating performance.

Orient Semiconductor Electronics Philippines, Inc. (OSEP), a Philippine subsidiary of the Company, closed its plant on October 31, 2011, and completed the disposal of its machinery and equipment in 2013. The Company is still in the process of disposing of/leasing the land and plant of the subsidiary through the assistance of a professional real estate agency in order to smoothly dispose of/lease the land and plant.

Investment plans for the coming year will be carefully evaluated and submitted to the Board Meeting for approval, depending on the overall industry conditions, and the Company's business development needs.

VI. Risks for the most recent year and up to the date of printing the Annual Report

(I) The influence of changes in Interest rates, foreign exchange rates and inflation on corporate losses of profits, and future countermeasures:

1. In response to the change of international political and economic situation, it keeps in touch with banks to

acquire the latest relevant information and take the countermeasures such as conversion of the liabilities currency, expediting the re-payment for the foreign currency liabilities to achieve the effect of hedging.

2. The receiving and paying of the foreign currency resulting from the sales and purchases transactions will offset mutually to lower the risks of foreign currency exchange losses.

(II) Policies, main reasons for profits or losses and future countermeasures with respect to engaging in high-risk, high-leverage investments, loaning to others, endorsements and guarantees and derivatives transactions:

1. To control the financial risks with caution, the Company doesn't engage in the high-risk, high-leverage investments.

2. The Company has formulated the "Operational Procedure for Loaning to Others," “Operational Procedure for Endorsements and Guarantees” and “Operating Procedure for Assets Acquisition and Disposal” to manage the related operations.

(III) Future R&D plans and projected R&D expenses: Please refer to the page 63 of the annual report.

(IV) The influence of change for important domestic or foreign policies and laws on finance and business and the countermeasures:

1. The Company pays close attention at any time to any policies and laws that will possibly affect the business and operations of the company to adjust the company's internal system. There is no occurrence on the change for the important domestic/foreign policies and laws and their effects on finance and business in the most recent year and by the date of the annual report publication

2. EU environmental directive (RoHS): Please refer to the page 69 of the annual report.

(V) The influence of changes in technology and industry on corporate finance and business and countermeasures:

1.The Company's business mainly focuses on semiconductor packaging and testing services, electronic manufacturing services, it continues collecting the business information regarding the changes of technology industry and strengthen the management and R&D teams to keep the technical lead in the industry and grasp the effect of this part on our business and finance.

2.With the constant improvement of the techniques in the semiconductor industry, the Company is devoted to R&D of products and market development in response to the changes of technology and industry to assist the company's finance and business in a positive way.

(VI) The influence of changes in corporate image on corporate risk management and countermeasures:

The Company has established the extensive countermeasures for corporate risk management including the procedure for establishing project response team when it is necessary. If the Company encounters crisis may cause the change in corporate image, it will immediately establish the response team and take the necessary countermeasure to minimize the personal injury, business interruption and finance impact and maintain the operation smoothly.

(VII) The expected benefits and potential risks of mergers and acquisitions and countermeasures: none.

(VIII) Expected benefits, possible risks and countermeasures for plant expansion: The Company will continue to improve the production conditions of the old plants and enhance the quality of production to achieve the best customer satisfaction, so there are no related risks.

(IX) The risks of purchase or sales concentration and countermeasures: The Company strives to diversify its suppliers and customers, and there is no risk of concentration of suppliers and customers that may present potential risks to the Company.

(X) The influence and risk of the massive transaction or conversion of shares of the Directors, Supervisors or dominant Shareholders holding over 10% of the stakes and countermeasures: none.

(XI) The influence and potential risks of management right change and countermeasures: none.

(XII) For litigious or non-litigious events, list the major litigious events, non-litigious events or administrative remedies with confirmed verdicts or in progress of the Company and its Directors, Supervisors, General Managers, actual person-in-charge, and Shareholders holding over 10% of the stakes, subsidiaries and affiliates. When the results of such events and remedies may have potential influence on the shareholder’s equity or stock price, disclose the fact in dispute, the amount in dispute, the start date of event, principal parties involving in the event, and the handling status by the date of annual report publication.

1. Major litigious events, non-litigious events, or administrative remedies for the Company: none
2. Major litigious events, non-litigious events, or administrative remedies for Directors, Supervisors, General Managers, actual person-in-charge and Shareholders holding over 10% of the stakes, subsidiaries: none.

(XIII) Other important risks and countermeasures:

1. The influence of unexpected abnormality for information system on the company operation and protection and control measures:
   (1) In the information system infrastructure, after considering high availability and backup load, the Company established off-site communication connection, host off-site backup plans, and consolidate cloud service providers and other mechanisms, and strive to reduce service interruptions caused by equipment abnormalities. In addition to strengthening backup media protection, the Company also strengthened data security so it can start recovery smoothly and maintain the data requirements for its operation and maintenance;
   (2) The Company has the specialized teams of the development and maintenance for company's major systems, production systems, ERP systems. In addition to the protection of all the major procedures from operating smoothly, the information system can adjust according to the change of the Company to ensure the constant operation and the flexible extension for the Company. Moreover, the system interruption resulting from abnormality of human or system development vendor can be reduced because of the protection and management of major information system by specialized teams.
   (3) Since the annual regular audit is requested by internationally well recognized enterprises, including business secrets, laws and regulations, manufacturing process, information system and so on, the Comply can adjust the system, management and control measures to comply with their requirement and the operation requirement. Currently, it continue auditing and improving the information system to lower the operating impacts and recover the operations rapidly when the risk occurs and reduce the losses of the customers and maintain the operations of the Company.

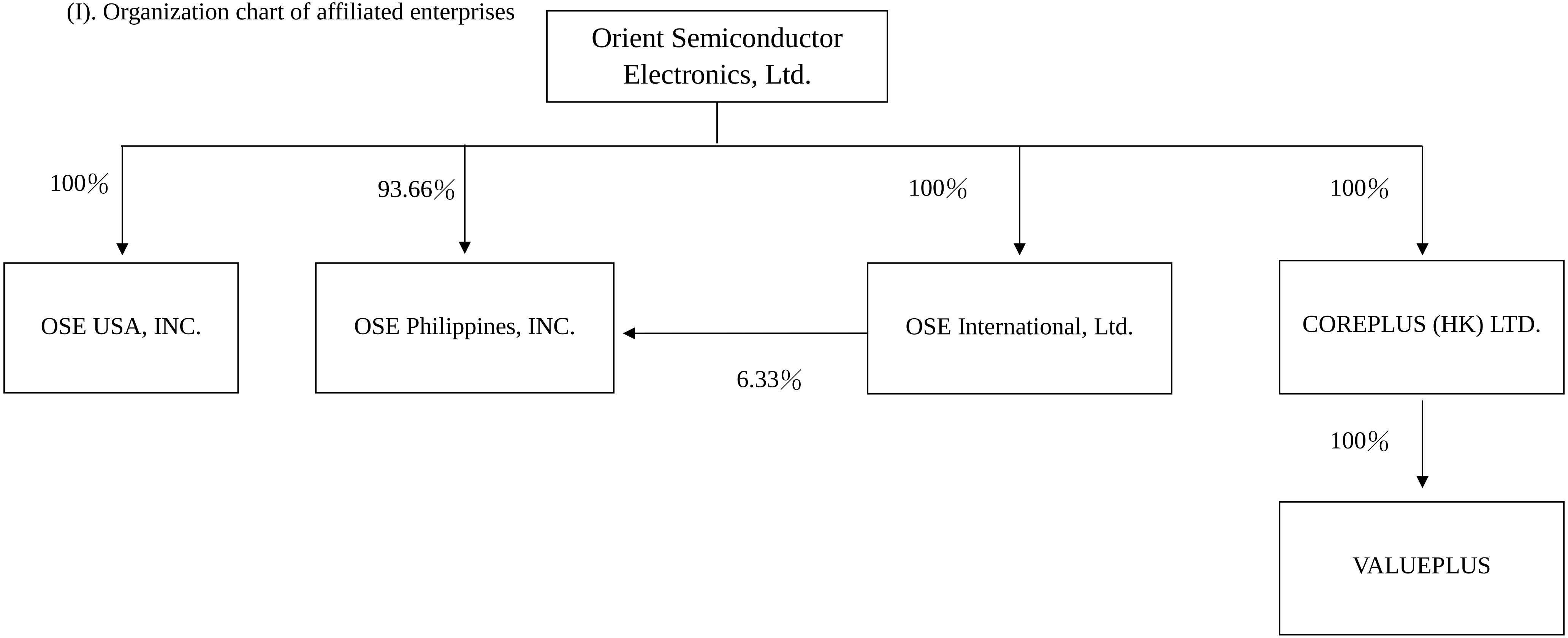
VII. Other material information: none

VIII. Special Disclosure

I. Information of affiliated enterprises

Consolidated business reports of affiliated enterprises

(I). Organization chart of affiliated enterprises



(II). Basic information of all the affiliated enterprises

Unit: NTD thousand

Name of affiliate	Date of establishment	Address	Paid- in capital.	Major items of operation or production
OSE PHILIPPINES, INC.	1996. 6.11	6 Ring Road, Light Industry & Science Park II, Brgy. Lamesa, Calamba, Laguna 4027, Philippines	3,826,359 (USD134,352,476)	(1) IC and all kinds of semiconductor parts (2)The research, design, production, assembly, processing, testing and after-sale services of the aforementioned products.
OSE USA, INC.	2005.10.17	1737 N. 1st Street, Suite 350, San Jose, Ca 95112, USA	363,650 (USD12,768,594)	Services for the customers of the Northern America
OSE INTERNATIONAL LTD.	1999.11.19	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	455,680 (USD16,000,000)	Investment on all kinds of production business
COREPLUS (HK) LTD.	2008.11.10	1501 Capital Centre,151 Gloucester Road, Wan Chai, Hong Kong	213,600 (USD7,500,000)	Operations of raw material purchase and processing, assembly outsourcing.
VALUEPLUS TECHNOLOGY (SUZHOU) CO., LTD.	2005.9.14	A-7 Factory Building, Export Processing Zone, No. 19, Datong Road, SND-EPZ, Suzhou, China	313,280 (USD11,000,000)	Substrate SMT of electronic parts, parts insertion and welding, relevant testing, assembly processing, self-manufactured products sales, corresponding technical maintenance and after-sale services.

Note: If the affiliated enterprises are foreign companies, list the relevant numbers in NTD according to the exchange rate in the report date. (NTD：USD=1：28.48)

(III) For companies presumed to have a relationship of control and subordination, disclose the information of identical Shareholders: N/A.

(IV) Operating relationship interpretation

1. The industries covered by the business operated by all the affiliated enterprises: Please refer to (2) basic information of all the affiliated enterprises.
2. The connections exist among the businesses operated by the affiliated enterprises, and the situation of the mutual dealings and division of work among them: All the affiliated enterprises of the Company build to order and operate individually.

(V) The information of Directors, Supervisors and General Managers of all the affiliated companies

Name of affiliate	Title	Name or representative	Shareholdings	
			Share	% of shareholding (voting rights)
OSE PHILIPPINES, INC.	Chairman/General Manager	Yueh-Ming Tung	1	0.00%
	Director/CFO	Simon Hung	1	0.00%
	Director/AVP-HR	Chen-Ling Lai	1	0.00%
	Director/Accounting Manager	Shu-Yung Chu	1	0.00%
OSE INTERNATIONAL LTD.	Chairman	OSE Institutional representative: Yueh-Ming Tung	16,000,000	100.00%
	General Manager	Yueh-Ming Tung	—	—
OSE USA, INC.	Chairman/General Manager	Edmond Tseng	—	—
	Director	Edward Shaw-Yau Duh	—	—
	Director	OSE Institutional representative: Yueh-Ming Tung	8,024	100.00%
COREPLUS (HK) LTD.	Chairman	OSE(Institutional representative: Simon Hung)	7,500,000	100.00%
	Director	OSE (Institutional representative: Yue-Ming Dong)	7,500,000	100.00%
	Director	OSE (Institutional representative: Yueh-Ming Tung)	7,500,000	100.00%
VALUEPLUS TECHNOLOGY (SUZHOU) CO., LTD.	Chairman (Note)	COREPLUS (HK) LTD. (Institutional representative: Simon Hung)	—	100.00%
	Director	COREPLUS (HK) LTD. (Institutional representative: Yueh-Ming Tung)	—	100.00%
	Director	COREPLUS (HK) LTD. (Institutional representative: Tzu Ming Liu)	—	100.00%

(Note): In order to comply with the local laws and procedures, the registration of the change of responsible person is still being processed.

(VI). Operating status of all the affiliated enterprises

Unit: NTD thousand

Name of affiliate	Capital amount	Total assets	Total liabilities	Net worth	Operating revenue	Operating income(loss)	Net income or loss for current period (after tax)
OSE PHILIPPINES, INC.	3,826,359 (USD134,352,476)	615,861 (USD21,624,348)	669,297 (USD23,500,596)	(53,436) (-USD1,876,248)	–	(30,083) (-USD1,019,266)	(39,261) (-USD1,330,233)
OSE USA, INC.	363,650 (USD12,768,594)	117,146 (USD4,113,269)	33,598 (USD1,179,701)	83,548 (USD2,933,568)	46,744 (USD 1,583,773)	(5,195) (-USD176,003)	(23,062) (-USD313,297)
OSE INTERNATIONAL LTD.	455,680 (USD16,000,000)	286,232 (USD10,050,280)	–	286,232 (USD10,050,280)	–	(13,398) (-USD453,958)	(9,247) (-USD313,297)
COREPLUS (HK) LTD.	213,600 (USD7,500,000)	499,496 (USD17,538,489)	198,490 (USD6,969,439)	301,007 (USD10,569,050)	1,028,803 (USD34,858,126)	28,294 (USD958,675)	978 (USD33,150)
VALUEPLUS TECHNOLOGY (SUZHOU) CO., LTD.	313,280 (USD11,000,000)	167,942 (RMB38,474,617)	71,358 (RMB16,347,674)	96,584 (RMB22,126,943)	136,844 (RMB32,017,808)	(23,838) (-RMB5,577,445)	(28,130) (-RMB6,581,751)

Note: If the affiliated enterprises are foreign companies, list the relevant numbers in NTD according to the exchange rate in the report date.

(Exchange rate at the end of the period: NTD:USD=28.48:1, NTD:RMB= 4.365:1; average rate: NTD:USD=29.514:1, NTD:RMB= 4.274:1)

Note 2: The type of the investee company is a limited liability company with no issued shares and no par value, and the calculation of earnings per share is not comparable and therefore not applicable.

Consolidated financial statements of Affiliated Enterprises

In the fiscal year of 2020 (from January 1, 2020 to December 31, 2020), the consolidated entities within the consolidated financial statement of affiliated enterprises in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are identical to the entities within the consolidated financial statement in accordance with Statement of Financial Accounting Standard (SFAS) No. 27. All information shall be disclosed in the consolidated financial statements of affiliated enterprises and subsidiaries, and consequently, the Company would not prepare the consolidated financial statement of affiliated enterprises separately.

Affiliation Report

The Company is not subordinate company stated in the Chapter Affiliated Enterprises of the Company Act, so it is free from preparing the affiliation report to state the affiliation between the controlling company.

II. Private placements of securities in the most recent year and by the date of annual report publication:

<table>
<tr><td>Items</td><td colspan="5">The first private placement of securities in 2020 (Note 1)
Date of Board Meeting Resolution: October 16, 2020</td></tr>
<tr><td>Type of private placement of securities (Note 2)</td><td colspan="5">Private Placement of Preferred Shares B
Private Placement of Preferred Shares C</td></tr>
<tr><td>The date and quantity approved by the Shareholders' Meeting (Note 3)</td><td colspan="5">The Company's Shareholders' Resolutions in the Extraordinary Shareholders' Meeting on December 3, 2020:
1. Preferred Shares B - the maximum amount of issuance is NT$1 billion and number of shares 100,000 thousand shares with par value at NT$10 per share. The aggregate increase in paid-in capital is expected to not exceed NT$1,000,000 thousand. This private placement is to be completed in one lump sum within one year from the date of the Extraordinary Shareholders' Meeting in 2020.
2. Preferred Shares C - the maximum amount of issuance is NT$2 billion and number of shares 200,000 thousand issues with par value of NT$10 per share. The aggregate increase in paid-in capital is expected to not exceed NT$2,000,000 thousand. This private placement is to be completed in one lump sum within one year from the date of the Extraordinary Shareholders' Meeting in 2020.</td></tr>
<tr><td>The basis and rationality of the pricing</td><td colspan="5">1. The price of a private placement of securities with equity characteristics such as preferred shares, shall not be lower than 80 percent of the theoretical price. Theoretical price refers to a securities price calculated based on an appropriate pricing model that is selected in consideration of the various rights under the terms of issuance. The pricing model shall as a whole cover, and include the concurrent consideration of, the various rights included in the terms of issuance. Any right not included for consideration within the model shall be excluded from the terms of issuance.
2. Private Placement of Preferred Shares B
(1) Issuance price: the actual per share price of Preferred Shares B is NT$11.10. The Company intends to use December 3, 2020 as the pricing date for the private placement of preferred shares. According to the expert report issued by DoctorOne, the theoretical price of the private placement of the Preferred Shares B is NT$11.20 per share, and the issued price of the Preferred Shares B of NT$11.10 per share is already 80% higher than the theoretical price.
(2) Number of shares issued - 90,090 thousand shares of Preferred Shares B were issued.
(3) Total amount of issuance - Preferred Shares B has a par value of NT$10 per share and is expected to increase paid-in capital by NT$900,900 thousand, resulting in total proceeds of NT$999,999 thousand.
3. Private Placement of Preferred Shares C:
(1) Issuance price: the actual per share price of Preferred Shares C is NT$11.10. The Company intends to use December 3, 2020 as the pricing date for the private placement of preferred shares. According to the expert report issued by DoctorOne, the theoretical price of the private placement of the Preferred Shares C is NT$12.63 per share, and the issued price of the Preferred Shares C of NT$11.10 per share is already 80% higher than the theoretical price.
(2) Number of shares issued - 180,180 thousand shares of Preferred Shares C were issued.
(3) Total amount of issuance - Preferred Shares C has a par value of NT$10 per share and is expected to increase paid-in capital by NT$1,801,800 thousand, resulting in total proceeds of NT$1,999,998 thousand.
4. The actual issue price of the private placement was determined in accordance with the relevant regulations of the competent authorities and in accordance with the range of pricing percentages resolved at the December 3, 2020's Extraordinary Shareholders' Meeting, taking into account the Company's operating performance, most recent net worth and market share price, etc., and was determined in a reasonable manner.</td></tr>
<tr><td>The method for selecting the Specific Persons (Note 4)</td><td colspan="5">The objects of this private placements of Preferred Shares are limited to Specific Persons who meet the requirements stipulated in Article 6 and Article 43 of the Securities and Exchange Act and Order No. 0910003455 issued by the Financial Supervisory Commission on June 13, 2002.</td></tr>
<tr><td>The reasons for the necessity for conducting the private placement</td><td colspan="5">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.</td></tr>
<tr><td>Subscription paid up in full</td><td colspan="5">December 16, 2020</td></tr>
<tr><td rowspan="2">Information on the Placees</td><td>Private Placement Target (Note 5)</td><td>Eligibility requirements (Note 6)</td><td>Number of subscriptions</td><td>Relationship with the Company</td><td>Participated companies Business management situation</td></tr>
<tr><td>CHIPBOND TECHNOLOGY CORPORATION Company limited by shares</td><td>Section 2</td><td>Preferred Shares B 90,090,000 shares
Preferred Shares C 180,180,000 shares</td><td>None</td><td>Not yet</td></tr>
<tr><td>Actual subscription (or transfer) price(Note7)</td><td colspan="5">Preferred Shares B and C's actual subscription price are both NT$11.10. per share.</td></tr>
<tr><td>Difference between actual subscription (or transfer) price and reference price (Note 7)</td><td colspan="5">The actual subscription price of the Preferred Shares B is NT$11.10 per share, which is not less than 80% of the theoretical price of NT$11.20 per share and not less than the par value of the shares.
The actual subscription price of the Preferred Shares C is NT$11.10 per share, which is not less than 80% of the theoretical price of NT$12.63 per share and not less than the par value of the shares.</td></tr>
<tr><td>Any effect of the private placement on shareholder equity</td><td colspan="5">It is expected to improve the financial structure, reduce Debt-asset ratio, 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' equity. 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' equity.</td></tr>
<tr><td>Status of utilization of the funds raised in the private placement and the implementation progress:</td><td colspan="5">The proceeds were used to fund working capital, to repay bank loans or to meet future long-term development needs. On December 16, 2020, NT$2,999,997,000 were raised, and the proceeds were used to repay bank loans of NT$2,563,301,624 as of the fourth quarter of 2020. The remaining $436,695,376 from the private placement is expected to be used for operating expenses in the first quarter of 2021.</td></tr>
<tr><td>The realization of plan benefit in the private placement</td><td colspan="5">To enhance working capital and repay loans to improve financial structure.</td></tr>
</table>

Note 1: The number of columns is adjusted according to the actual private placements; private placement of securities shall be separately indicated if there are multiple closings.

Note 2: For filling in private placement of securities for common stock stocks, preferred shares, convertible preferred shares, the subscription price of preferred shares with warrants, corporate bonds, convertible corporate bonds, corporate bonds with warrants, overseas convertible corporate bonds, depository receipts, and Employee stock warrants.

Note 3: For private placement of corporate bonds without being resolved by the Shareholders' Meeting, the date and quantity approved by the Board Meeting shall be listed.

Note 4: In the case of private placements, if an interested investor has been determined, the investor's name and relation to the Company shall be listed.

Note 5: The number of columns are adjusted according to the actual number.

Note 6: This represents paragraph 1,2 or 3 of Item 1 of Article 43-6 of the Securities and Exchange Act.

Note 7: Actual subscription (or transfer) price refers to the actual subscription (or transfer) price at the time of conducting the private placement of securities.

III. Stocks of the Company held or disposed by subsidiaries in the most recent year and by the date of annual report publication: Note.

IV. Other required supplementary Notes: None.

V. Events with material impacts on shareholder equity or stock price as specified in Item 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the recent year and by the date of annual report publication: None.