

English Translation of the parent company only Financial Statements Originally Issued in Chinese

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED

PARENT COMPANY ONLY

FINANCIAL STATEMENTS

WITH

REPORT OF INDEPENDENT AUDITORS

FOR THE YEARS ENDED

DECEMBER 31, 2020 AND 2019

Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese financial statements shall prevail.

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.

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 contract terms and conditions to verify the accuracy of sales revenue.

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

2. Deferred tax assets

The Company recognized deferred tax assets in the amount of \$1,549,088 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.

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 earnings		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.)

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 earnings	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	Items	2020	2019
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Pretax (loss) income	(\$245,393)	\$734,001	Acquisition of financial assets measured at amortized cost	(131,045)	—
Adjustments to reconcile net loss before tax to net			Acquisition of property, plant and equipment	(458,626)	(723,348)
The profit or loss items which did not affect cash flows:			Disposal of property, plant and equipment	3,309	43,900
Depreciation	1,420,968	1,446,034	(Increase) in refundable deposits	(11,089)	—
Amortization	51,156	65,235	Decrease in refundable deposits	—	32,177
Expected credit (gain) loss	(4,636)	8,862	Acquisition of intangible assets	(20,316)	(32,657)
Interest expense	73,906	113,801	Decrease in long-term receivables	20,101	3,002
Interest revenue	(10,324)	(10,833)	Dividends received	151,475	—
Compensation costs of shared-based payment	27,581	4,428	Net cash (used in) investing activities	(446,191)	(676,926)
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)	Cash flows from financing activities:		
Others-(Gain) on lease modifications	(1,015)	(356)	(Decrease) in short-term loans	(1,272,327)	(433,155)
Others-Loss on disposal and allowance for inventory valuation	45,648	110,113	Increase in short-term notes payable	—	379,210
Changes in operating assets and liabilities:			(Decrease) in short-term notes payable	(379,210)	(349,610)
(Increase) Decrease in contract assets	(1,843)	122,702	Increase in long-term loans	1,738,149	1,300,000
Decrease in notes receivable	918	8,740	Repayment of long-term loans	(2,976,291)	(2,262,010)
Decrease (Increase) in accounts receivable-non affiliates	287,438	(75,474)	Preferred stock liabilities issued	999,999	—
(Increase) Decrease in accounts receivable-affiliates	(364)	465,978	Increase in guarantee deposits received	—	50
Decrease in other receivable-non affiliates	7,962	18,698	(Decrease) in guarantee deposits received	(50)	—
(Increase) Decrease in other receivable-affiliates	(5,532)	28,627	Increase in other payable-Affiliates	603	—
(Increase) Decrease in inventories	(13,473)	94,214	Repayment of lease liabilities	(15,684)	(18,794)
(Increase) Decrease in prepayments	(2,064)	22,429	Cash dividends	(82,849)	—
Decrease in other current assets	12,398	13,267	Preferred stock issued	1,999,998	—
Decrease in other non-current assets	596	766	Interest paid	(75,848)	(116,497)
(Decrease) Increase in contract liabilities	(2,480)	12,695	Other financing activities	127,671	89,389
(Decrease) in notes payable-non affiliates	(39,895)	(7,695)	Net cash provided by (used in) financing activities	64,161	(1,411,417)
(Decrease) in accounts payable-non affiliates	(713,049)	(174,183)			
(Decrease) Increase in accounts payable-affiliates	(188,078)	67,206	Net Increase in cash and cash equivalents	150,520	935,549
Increase in other payable	1,942	2,696	Cash and cash equivalents, beginning of period	1,491,029	555,480
(Decrease) Increase in other current liabilities	(135,539)	103,616	Cash and cash equivalents, end of period	\$1,641,549	\$1,491,029
(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			

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

English Translation of Financial Statements Originally Issued in Chinese

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

December 31, 2020 and 2019

(Unless otherwise stated, all amounts are expressed in thousands of New Taiwan Dollars)

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

Classification between liabilities or equity

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.

Equity instruments

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.

Financial liabilities

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 affect 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:

	<u>Cost of computer software</u>
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:

Sale of goods

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 contracts 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 countries 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	<u>\$1,641,549</u>	<u>\$1,491,029</u>

(2) FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	Dec. 31, 2020	Dec. 31, 2019
Restricted deposits	\$131,045	—
Less: loss allowance	(—)	(—)
Total	<u>\$131,045</u>	<u>—</u>
Current	\$131,045	—
Non-current	—	—
Total	<u>\$131,045</u>	<u>—</u>

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	<u>\$852</u>	<u>\$1,770</u>

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:

Investee Company	Type of stock	Dec. 31, 2020		Dec. 31, 2019	
		Amount	Ownership	Amount	Ownership
<u>Investments in subsidiaries:</u>					
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		Dec. 31, 2019	
		Amount	Ownership	Amount	Ownership
<u>Investments in associates:</u>					
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. OSEU 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 PHILIPPINES 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 PHILIPPINES 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 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	\$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	<u>\$5,246,877</u>	<u>\$6,220,127</u>

(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	—	<u>\$7,058,550</u>	<u>\$14,104,129</u>	<u>\$1,087</u>	<u>\$54,890</u>	<u>\$368,330</u>	<u>\$93,666</u>	<u>\$21,680,652</u>
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	—	<u>\$4,550,028</u>	<u>\$10,662,032</u>	<u>\$1,057</u>	<u>\$54,364</u>	<u>\$333,499</u>	<u>—</u>	<u>\$15,600,980</u>
Net carrying amount								
As of Dec. 31, 2020	—	<u>\$2,339,713</u>	<u>\$2,677,924</u>	<u>\$20</u>	<u>\$125</u>	<u>\$23,655</u>	<u>\$63,697</u>	<u>\$5,105,134</u>
As of Dec. 31, 2019	—	<u>\$2,508,522</u>	<u>\$3,442,097</u>	<u>\$30</u>	<u>\$526</u>	<u>\$34,831</u>	<u>\$93,666</u>	<u>\$6,079,672</u>

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

	<u>Buildings</u>
Cost:	
As of Jan. 1, 2020	\$279,343
Additions	—
Disposals	—
Transfers	19,503
As of Dec. 31, 2020	<u>\$298,846</u>
Depreciation and impairment:	
As of Jan. 1, 2020	\$138,888
Depreciation	4,685
Disposals	—
Transfers	13,530
As of Dec. 31, 2020	<u>\$157,103</u>
Cost:	
As of Jan. 1, 2019	\$279,343
Additions	—
Disposals	—
Transfers	—
As of Dec. 31, 2019	<u>\$279,343</u>
Depreciation and impairment:	
As of Jan. 1, 2019	\$132,203
Depreciation	6,685
Disposals	—
Transfers	—
As of Dec. 31, 2019	<u>\$138,888</u>
Net carrying amounts as at:	
As of Dec. 31, 2020	<u>\$141,743</u>
As of Dec. 31, 2019	<u>\$140,455</u>

(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	<u>\$458,626</u>	<u>\$723,348</u>

(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 \$9,421,818 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	<u>\$397,290</u>
As of Jan. 1, 2019	\$335,612
Addition	32,657
Transfers	1,504
As of Dec. 31, 2019	<u>\$369,773</u>

	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	<u>\$1,101,572</u>	<u>\$2,373,766</u>

(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	<u>\$19,906</u>	<u>\$12,125</u>

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	<u>(568,532)</u>	<u>(576,227)</u>	<u>(523,987)</u>
Other non-current liabilities - Accrued pension liabilities recognized on the company only			
balance sheets	<u>\$384,246</u>	<u>\$430,850</u>	<u>\$495,896</u>

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 dividends 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 undistributed 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 and 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	<u>\$220,723</u>	<u>\$45,711</u>

- (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 228-1 and 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 reserve 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	<u>\$13,567,698</u>	<u>\$17,235,914</u>

(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	<u>\$8,167,159</u>	<u>\$5,400,539</u>	<u>\$13,567,698</u>

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	<u>\$8,167,159</u>	<u>\$5,400,539</u>	<u>\$13,567,698</u>

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	<u>\$10,527,484</u>	<u>\$6,708,430</u>	<u>\$17,235,914</u>
Over time	\$10,101,028	—	\$10,101,028
At a point in time	426,456	\$6,708,430	7,134,886
Total	<u>\$10,527,484</u>	<u>\$6,708,430</u>	<u>\$17,235,914</u>

(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

	Not yet due (Note)	Overdue					Total
		Within 30 days	31-60 days	61-90 days	91-180 days	After 181 days	
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

	Not yet due (Note)	Overdue					Total
		Within 30 days	31-60 days	61-90 days	91-180 days	After 181 days	
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

	Not yet due (Note)	Overdue					Total
		Within 30 days	31-60 days	61-90 days	91-180 days	After 181 days	
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	Overdue						Total
	Not yet due (Note)	Within 30 days	31-60 days	61-90 days	91-180 days	After 181 days	
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) LEASES

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

		Reclassification	Other	Income tax relating to components of	Other
	Arising during	adjustments during the	comprehensive income, before	other comprehensive	comprehensive
	the period	period	tax	income	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	<u>(\$34,674)</u>	<u>—</u>	<u>(\$34,674)</u>	<u>\$5,963</u>	<u>(\$28,711)</u>

(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	<u>(\$20,730)</u>	<u>(\$146,041)</u>

(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	<u>\$35,567</u>	<u>\$5,963</u>

(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	<u>(\$245,393)</u>	<u>\$734,001</u>
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	<u>(12,118)</u>	<u>—</u>
Total income tax (expense) benefit recognized in profit or loss	<u>(\$20,730)</u>	<u>(\$146,041)</u>

(C) Deferred tax assets (liabilities) relate to the following:

For the years ended December 31, 2020

		Deferred tax	Deferred tax	
		income (expense)	recognized in	
	Beginning	Deferred tax	other	
	balance as of	recognized in	comprehensive	Ending balance as
	Jan. 1, 2020	profit or loss	income	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)	<u>\$1,514,787</u>			<u>\$1,541,742</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$1,546,059</u>			<u>\$1,549,088</u>
Deferred tax liabilities	<u>\$31,272</u>			<u>\$7,346</u>

For the years ended December 31, 2019

		Deferred tax	Deferred tax	Deferred tax	
			income (expense)	recognized in	
	Beginning	Deferred tax		other	Ending balance as
	balance as of	income (expense)	recognized in	comprehensive	of Dec. 31, 2019
	Jan. 1, 2019	profit or loss		income	
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:

	Tax losses for	Unused tax losses as of		Expiration	
Year	the period	Dec. 31, 2020	Dec. 31, 2019	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

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
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
<u>Purchases</u>				
INFOFAB	Computer software	\$12,223	Not applicable	Negotiate
Subsidiaries	Other equipment	249	Not applicable	Negotiate
Associates	Machinery and equipment	285	Not applicable	Negotiate
	Total	<u>\$12,757</u>		

Counterparties	Property	Unreduced balance	Sale price	Gain (loss) on sales of assets	The basis of transaction price
<u>Sales</u>					
VALUEPLUS	Other equipment	—	\$4	\$4	Negotiate
VALUEPLUS	Machinery and equipment	—	5	5	Negotiate
	Total	<u>—</u>	<u>\$9</u>	<u>\$9</u>	

For the years ended December 31, 2019

Counterparties	Property	Amount	Gain (loss) on sales of assets	The basis of transaction price
<u>Purchases</u>				
INFOFAB	Other equipment	\$2,224	Not applicable	Negotiate
INFOFAB	Computer software	15,887	Not applicable	Negotiate
	Total	<u>\$18,111</u>		

Counterparties	Property	Unreduced balance	Sale price	Gain (loss) on sales of assets	The basis of transaction price
<u>Sales</u>					
VALUEPLUS	Machinery and equipment	<u>—</u>	<u>\$31,178</u>	<u>\$31,178</u>	Negotiate

(H) Intercompany borrowing

Dec. 31, 2020				
Related parties	Maximum amount	Amount	Interest rates	Interest income (expense)
Amount lent to: (included in long-term receivables-affiliates accounts)				
OSEP	\$476,298	\$476,298	1.80%~	
	<u>(USD16,724 thousand)</u>	<u>(USD16,724 thousand)</u>	<u>2.00%</u>	<u>\$7,851</u>

Dec. 31, 2019			Interest rates	Interest income (expense)
Related parties	Maximum amount	Amount		
Amount lent to: (included in long-term receivables-affiliates accounts)				
OSEP	\$370,127	\$370,127		
	(USD12,305 thousand)	(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	\$75,200
	(USD 2,500 thousand)	(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		Secured liabilities details
	Dec. 31, 2020	Dec. 31, 2019	
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		Short and long-term borrowings
		860,389	
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	<u>\$2,449,793</u>	<u>\$3,553,498</u>	

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

<u>Financial assets</u>	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
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	<u>\$4,806,737</u>	<u>\$5,055,893</u>
 <u>Financial liabilities</u>	 <u>Dec. 31, 2020</u>	 <u>Dec. 31, 2019</u>
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	<u>\$6,100,389</u>	<u>\$9,182,858</u>

(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 activities. 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	—
	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	—
	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
<u>As of Dec. 31, 2020</u>					
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
<u>As of Dec. 31, 2019</u>					
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	Significant	Quantitative	Relationship	Sensitivity of the input
	techniques	unobservable inputs	information	between inputs and fair value	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
<u>Financial assets</u>			
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
<u>Financial liabilities</u>			
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
<u>Financial assets</u>			
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
<u>Financial liabilities</u>			
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.