

**ORIENT SEMICONDUCTOR
ELECTRONICS LIMITED AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
JUNE 30, 2021 AND 2020**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Orient Semiconductor Electronics, Limited

Introduction

We have reviewed the accompanying consolidated balance sheet of Orient Semiconductor Electronics, Limited and subsidiaries (the "Group") as at June 30, 2021, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statement of changes in equity and of cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review

Except as explained in the following paragraph, we conducted our review in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

As explained in Notes 4(3) B and 6(7), the financial statements of certain insignificant consolidated subsidiaries, investments accounted for using equity method and information disclosed in Note 13 were not reviewed by independent auditors. Total assets of these subsidiaries (including investments accounted for using equity method) amounted to NT\$1,494,235 thousand, constituting 10% of the consolidated total assets as at June 30, 2021, total liabilities amounted to NT\$184,629 thousand, constituting 3% of the consolidated total liabilities as at June 30, 2021, and the total comprehensive income (including share of profit or loss of associates and joint ventures accounted for using equity method) amounted to NT\$10,460 thousand and NT\$1,051 thousand, constituting 3% and 0% of the consolidated total comprehensive income for the three months and six months ended June 30, 2021, respectively.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries, investment accounted for using equity method and information disclosed in Note 13 been reviewed by independent auditors as described in the Basis for qualified conclusion section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2021, and of its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission

Other matter

We did not review the consolidated financial statements for the second quarter of 2020. Those statements were reviewed by other auditors who expressed a qualified opinion on August 12, 2020 as they were unable to review the financial statements of certain subsidiaries and investees accounted for under the equity method.

WANG, KUO-HUA

CHIANG, TSAI-YEN

For and on behalf of PricewaterhouseCoopers, Taiwan

July 29, 2021

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors’ review report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers 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.

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2021, DECEMBER 31, 2020, JUNE 30, 2020

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of June 30, 2021 and 2020 are reviewed, not audited)

	Assets	Notes	June 30, 2021		December 31, 2020		June 30, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	\$ 1,807,469	12	\$ 1,845,800	13	\$ 1,232,457	9
1136	Current financial assets at amortised cost	6(4) and 8	110,164	1	131,045	1	136,306	1
1140	Current contract assets	6(23)	332,015	2	304,825	2	185,404	1
1150	Notes receivable, net	6(5)	-	-	852	-	655	-
1170	Accounts receivable, net	6(5)	2,912,018	19	2,210,256	16	2,282,211	16
1180	Accounts receivable due from related parties, net	6(5) and 7	324,914	2	229,921	2	166,379	1
1200	Other receivables		26,810	-	30,750	-	18,629	-
1210	Other receivables due from related parties	7	59,399	-	47,554	-	60,382	-
130X	Inventories	6(6)	1,568,811	10	1,140,652	8	1,379,457	10
1410	Prepayments		60,618	1	64,366	-	60,456	-
1476	Other current financial assets	8	-	-	26,555	-	70,580	-
1479	Other current assets, others		16,916	-	15,018	-	17,331	-
11XX	Current Assets		<u>7,219,134</u>	<u>47</u>	<u>6,047,594</u>	<u>42</u>	<u>5,610,247</u>	<u>38</u>
	Non-current assets							
1510	Non-current financial assets at fair value through profit or loss	6(2)	5,225	-	6,486	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	270,230	2	107,232	1	226,860	1
1550	Investments accounted for using equity method	6(7) and 8	432,722	3	450,878	3	454,930	3
1600	Property, plant and equipment	6(8) and 8	5,114,192	33	5,285,569	36	5,831,079	39
1755	Right-of-use assets	6(9)	227,680	2	244,707	2	261,315	2
1760	Investment property - net	6(11)	366,433	2	394,486	3	422,130	3
1780	Intangible assets	6(12) and 7	33,271	-	34,706	-	51,631	-
1840	Deferred tax assets		1,384,908	9	1,550,989	11	1,610,062	11
1915	Prepayments for business facilities		3,376	-	128,499	1	149,218	1
1920	Guarantee deposits paid	8	167,643	1	167,650	1	156,722	1
1940	Long-term notes and accounts receivable due from related parties	7 and 8	86,428	1	88,352	-	91,919	1
1990	Other non-current assets, others		4,537	-	4,601	-	5,139	-
15XX	Non-current assets		<u>8,096,645</u>	<u>53</u>	<u>8,464,155</u>	<u>58</u>	<u>9,261,005</u>	<u>62</u>
1XXX	Total assets		<u>\$ 15,315,779</u>	<u>100</u>	<u>\$ 14,511,749</u>	<u>100</u>	<u>\$ 14,871,252</u>	<u>100</u>

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2021, DECEMBER 31, 2020, JUNE 30, 2020

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of June 30, 2021 and 2020 are reviewed, not audited)

Liabilities and Equity		Notes	June 30, 2021		December 31, 2020		June 30, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Current borrowings	6(13) and 8	\$ 757,974	5	\$ 1,106,413	8	\$ 2,442,955	17
2110	Short-term notes and bills payable	6(14)	-	-	-	-	199,887	1
2130	Current contract liabilities	6(23)	72,094	1	25,371	-	25,610	-
2150	Notes payable		47,710	-	14,608	-	19,125	-
2170	Accounts payable		3,084,328	20	2,305,267	16	2,996,014	21
2180	Accounts payable to related parties	7	192	-	2,486	-	5,575	-
2200	Other payables	6(15)	1,009,182	7	776,317	5	827,318	5
2220	Other payables to related parties	7	19,230	-	603	-	-	-
2250	Current provisions		10,559	-	12,888	-	14,113	-
2280	Current lease liabilities	7	23,472	-	26,895	-	26,835	-
2320	Long-term liabilities, current portion	6(16) and 8	-	-	246,446	2	885,310	6
2399	Other current liabilities, others		215,818	1	160,002	1	92,639	-
21XX	Current Liabilities		5,240,559	34	4,677,296	32	7,535,381	50
Non-current liabilities								
2540	Non-current portion of non-current borrowings	6(16) and 8	300,000	2	620,000	5	975,433	7
2570	Deferred tax liabilities		4,735	-	7,346	-	31,272	-
2580	Non-current lease liabilities	7	197,367	1	210,089	1	225,351	2
2635	Non-current preference share liabilities	6(18)	1,005,803	7	1,006,485	7	-	-
2640	Net defined benefit liability, non-current		326,894	2	384,246	3	369,444	2
2645	Guarantee deposits received		3,518	-	3,519	-	3,515	-
25XX	Non-current liabilities		1,838,317	12	2,231,685	16	1,605,015	11
2XXX	Total Liabilities		7,078,876	46	6,908,981	48	9,140,396	61
Equity attributable to owners of parent								
	Share capital	6(19)(20)						
3110	Share capital - common stock		5,568,610	36	5,570,425	37	5,572,145	38
3120	Preference share		1,801,800	12	1,801,800	12	-	-
	Capital surplus	6(21)						
3200	Capital surplus		220,783	1	220,723	1	46,851	-
	Retained earnings	6(22)						
3310	Legal reserve		53,719	-	53,719	-	53,719	-
3320	Special reserve		18,730	-	18,730	-	18,730	-
3350	Unappropriated retained earnings		732,610	5	88,258	1	115,864	1
	Other equity interest							
3400	Other equity interest		(159,349)	-	(150,887)	1	(76,453)	-
31XX	Equity attributable to owners of the parent		8,236,903	54	7,602,768	52	5,730,856	39
3XXX	Total equity		8,236,903	54	7,602,768	52	5,730,856	39
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	Total liabilities and equity		\$ 15,315,779	100	\$ 14,511,749	100	\$ 14,871,252	100

The accompanying notes are an integral part of these consolidated financial statements.

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share)
(Review, not audited)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2021		2020		2021		2020	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(23) and 7	\$ 4,148,371	100	\$ 3,499,929	100	\$ 7,937,267	100	\$ 7,142,462	100
5000 Operating costs	6(6)(12)(28)(29) and 7	(3,320,137)	(80)	(3,574,414)	(102)	(6,591,126)	(83)	(6,994,757)	(98)
5900 Net operating margin		828,234	20	(74,485)	(2)	1,346,141	17	147,705	2
Operating expenses	6(12)(28)(29)								
6100 Selling and administrative expenses		(209,483)	(5)	(157,802)	(5)	(388,485)	(5)	(312,822)	(4)
6300 Research and development expenses		(77,133)	(2)	(64,413)	(2)	(151,663)	(2)	(133,469)	(2)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	4,616	-	(16,543)	-	13,736	-	(22,165)	-
6000 Total operating expenses		(282,000)	(7)	(238,758)	(7)	(526,412)	(7)	(468,456)	(6)
6500 Net other income (expenses)		-	-	-	-	-	-	1,015	-
6900 Operating profit (loss)		546,234	13	(313,243)	(9)	819,729	10	(319,736)	(4)
Non-operating income and expenses									
7100 Interest income	6(24)	950	-	1,824	-	1,748	-	2,944	-
7010 Other income	6(25) and 7	15,549	1	14,603	1	42,681	1	29,972	-
7020 Other gains and losses	6(26)	(30,398)	(1)	(20,262)	(1)	(38,356)	(1)	(4,647)	-
7050 Finance costs	6(27)	(8,296)	-	(18,628)	-	(19,112)	-	(40,427)	-
7055 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9		-	-	2	-	-	-	519	-
7060 Share of profit of associates and joint ventures accounted for using equity method	6(7)	8,706	-	12,852	-	7,480	-	19,031	-
7000 Total non-operating revenue and expenses		(13,489)	-	(9,609)	-	(5,559)	-	7,392	-
7900 Profit (loss) before income tax		532,745	13	(322,852)	(9)	814,170	10	(312,344)	(4)
7950 Income tax expense (benefit)	6(30)	(108,747)	(3)	48,406	1	(169,818)	(2)	46,315	-
8200 Profit (loss) for the period		\$ 423,998	10	\$ 274,446	(8)	\$ 644,352	8	\$ 266,029	(4)

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share)
(Review, not audited)

Items		Notes	Three months ended June 30				Six months ended June 30			
			2021		2020		2021		2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income										
Components of other comprehensive income that will not be reclassified to profit or loss										
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(\$ 575)	-	\$ -	-	(\$ 9,934)	-	\$ -	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	502	-	-	-	3,112	-	-	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		(73)	-	-	-	(6,822)	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss										
8361	Exchange differences on translation	6(7)	(7,049)	-	(10,165)	-	(7,474)	-	(8,537)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(7)	3,198	-	2,137	-	2,120	-	1,354	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(30)	2,050	-	2,460	-	1,919	-	1,978	-
8360	Components of other comprehensive income that will be reclassified to profit or loss		(8,197)	-	(9,842)	-	(7,675)	-	(7,913)	-
8300	Total other comprehensive loss for the period		(\$ 8,270)	-	(\$ 9,842)	-	(\$ 14,497)	-	(\$ 7,913)	-
8500	Total comprehensive income (loss) for the period		\$ 415,728	10	(\$ 284,288)	(8)	\$ 629,855	8	(\$ 273,942)	(4)
Profit (loss), attributable to:										
8610	Owners of parent		\$ 423,998	10	(\$ 274,446)	(8)	\$ 644,352	8	(\$ 266,029)	(4)
Comprehensive income (loss) attributable to:										
8710	Owners of parent		\$ 415,728	10	(\$ 284,288)	(8)	\$ 629,855	8	(\$ 273,942)	(4)
Basic earnings (loss) per share										
9750	Total basic earnings (loss) per share	6(31)	\$ 0.77		(\$ 0.50)		\$ 1.16		(\$ 0.48)	
9850	Total diluted earnings (loss) per share		\$ 0.57		(\$ 0.50)		\$ 0.87		(\$ 0.48)	

The accompanying notes are an integral part of these consolidated financial statements.

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(Review, not audited)

	Notes	Equity attributable to owners of the parent									Total equity
		Share capital			Retained earnings			Other equity interest			
		Ordinary share	Preference share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Currency translation differences	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unearned compensation	
<u>Six months ended June 30, 2020</u>											
At January 1, 2020		\$ 5,573,285	\$ -	\$ 45,711	\$ -	\$ -	\$ 537,191	(\$ 35,267)	\$ 16,536	(\$ 71,301)	\$6,066,155
Loss for the period		-	-	-	-	-	(266,029)	-	-	-	(266,029)
Other comprehensive loss for the period		-	-	-	-	-	-	(7,913)	-	-	(7,913)
Total comprehensive loss for the period		-	-	-	-	-	(266,029)	(7,913)	-	-	(273,942)
Distribution of 2019 earnings:	6(22)										
Legal reserve		-	-	-	53,719	-	(53,719)	-	-	-	-
Special reserve		-	-	-	-	18,730	(18,730)	-	-	-	-
Cash dividends		-	-	-	-	-	(82,849)	-	-	-	(82,849)
Share-based payment transactions	6(19)	(1,140)	-	1,140	-	-	-	-	-	21,492	21,492
At June 30, 2020		\$ 5,572,145	\$ -	\$ 46,851	\$ 53,719	\$ 18,730	\$ 115,864	(\$ 43,180)	\$ 16,536	(\$ 49,809)	\$ 5,730,856
<u>Six months ended June 30, 2021</u>											
At January 1, 2021		\$ 5,570,425	\$ 1,801,800	\$ 220,723	\$ 53,719	\$ 18,730	\$ 88,258	(\$ 54,047)	(\$ 79,166)	(\$ 17,674)	\$ 7,602,768
Profit for the period		-	-	-	-	-	644,352	-	-	-	644,352
Other comprehensive loss for the period		-	-	-	-	-	-	(7,675)	(6,822)	-	(14,497)
Total comprehensive income (loss) for the period		-	-	-	-	-	644,352	(7,675)	(6,822)	-	629,855
Share-based payment transactions	6(19)	(1,815)	-	60	-	-	-	-	-	6,035	4,280
At June 30, 2021		\$ 5,568,610	\$ 1,801,800	\$ 220,783	\$ 53,719	\$ 18,730	\$ 732,610	(\$ 61,722)	(\$ 85,988)	(\$ 11,639)	\$ 8,236,903

The accompanying notes are an integral part of these consolidated financial statements.

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(Review, not audited)

		Six months ended June 30	
	Notes	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit (loss) before tax		\$ 814,170	(\$ 312,344)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(8)(9)(11)(28)	669,538	743,908
Amortisation charge	6(12)(28)	18,290	29,939
(Gain) loss on expected credit impairment	12(2)	(13,736)	21,646
Losses on financial assets at fair value through profit or loss	6(26)	1,261	-
Interest expense	6(27)	19,112	40,427
Interest income	6(24)	(1,748)	(2,944)
Share-based payments	6(19)	4,280	21,492
Share of profit of associates and joint ventures accounted for using equity method	6(7)		
		(7,480)	(19,031)
Gain on disposal of property, plant and equipment	6(26)	(2,569)	(884)
Losses on disposals of investment property	6(25)	8,611	-
Gain on disposal of investments accounted for using equity method	6(26)		
		(3,550)	-
Loss (gain from reversal) on decline in market value	6(6)	15,336	(2,228)
Gain arising from lease modifications	6(9)	(883)	(1,015)
Changes in operating assets and liabilities			
Changes in operating assets			
(Increase) decrease in contract assets		(27,190)	117,578
Decrease in notes receivable		852	1,115
(Increase) decrease in accounts receivable		(688,017)	168,403
(Increase) decrease in accounts receivable due from related parties			
		(94,993)	63,178
Decrease in other receivables		6,630	12,838
Decrease in other receivables due from related parties		665	11,631
Increase in inventories		(443,329)	(126,648)
Decrease (increase) in prepayments		24,843	(918)
(Increase) decrease in other current assets		(1,898)	10,902
Decrease in other non-current assets, others		-	404
Changes in operating liabilities			
Increase (decrease) in contract liabilities		46,723	(3,829)
Increase (decrease) in notes payable		33,102	(35,378)
Increase in accounts payable		779,061	(61,892)
Decrease in accounts payable to related parties		(2,294)	(32,908)
Increase in other payables		146,009	1,440
Increase in other payables to related parties		9,393	-
Decrease (increase) in current provisions		(2,329)	448
Increase (decrease) in other current liabilities		55,816	(269,408)
Decrease in net defined benefit liability		(57,352)	(61,406)
Cash inflow generated from operations		1,306,324	314,516
Interest received		(1,824)	2,992
Income tax paid		-	(13,886)
Net cash flows from operating activities		1,304,500	303,622

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(Review, not audited)

		Six months ended June 30	
	Notes	2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets at fair value through other comprehensive income		(\$ 172,932)	\$ -
Decrease (increase) in financial assets at amortised cost non-current		47,436	(136,306)
Acquisition of property,plant and equipment (including prepayment for equipment)	6(32)	(290,116)	(303,403)
Proceeds from disposal of property, plant and equipment		3,217	884
Increase in refundable deposits		7	893
Acquisition of intangible assets	6(12)	(10,547)	(15,929)
Proceeds from disposal of investments accounted for using equity method		13,535	-
Increase in long-term accounts receivable due from realted parties		1,924	1,396
Net cash flows used in investing activities		(407,476)	(452,465)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(33)	2,182,071	69,097
Decrease in short-term borrowings	6(33)	(2,530,405)	-
Increase in short-term notes and bills payable	6(33)	-	199,887
Decrease in short-term notes and bills payable	6(33)	-	(379,210)
Proceeds from long-term borrowings	6(33)	500,000	973,190
Repayments of long-term debt	6(33)	(1,066,446)	(1,210,942)
Decrease in guarantee deposits received	6(33)	-	(53)
Interest paid		(10,701)	(41,867)
Payments of lease liabilities	6(33)	(10,790)	(13,652)
Other financing activities		-	83,646
Net cash flows used in financing activities		(936,271)	(319,904)
Effect of exchange rate changes on cash and cash equivalents		916	(208)
Net decrease in cash and cash equivalents		(38,331)	(468,955)
Cash and cash equivalents at beginning of period		1,845,800	1,701,412
Cash and cash equivalents at end of period		\$ 1,807,469	\$ 1,232,457

The accompanying notes are an integral part of these consolidated financial statements.

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. History and Organisation

(1) Orient Semiconductor Electronics Limited (the “Company”) was incorporated in Kaohsiung City in June 1971 under the provisions of the Company Act of the Republic of China (R.O.C.). The address of the Company’s registered office is at No. 9, Central 3rd Street, Nanzih District, Kaohsiung City. The Company and its subsidiaries (collectively referred herein as the “Group”), were primarily engaged in various types of integrated circuit, semiconductor components, computer motherboard, various types of electronic inventory, manufacture, combination, processing and export of computer and communication circuit board.

(2) The Company was listed on the Taiwan Stock Exchange starting from April 1994.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These financial statements were authorised for issuance by the Board of Directors on July 29, 2021.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income financial assets measured at fair value.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Transactions, balances and unrealised gains or losses between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All

amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			June 30, 2021	December 31, 2020	June 30, 2020	
Orient Semiconductor Electronics Limited	OSE Philippines INC. (“OSEP”)	(a) Integrated circuit and semiconductor components. (b) Research, design, manufacture, assembly, processing, test and after-sales service of aforementioned products.	93.67%	93.67%	93.67%	Notes 1 and 2
Orient Semiconductor Electronics Limited	OSE International Limited. (“OSE BVI”)	Investments in various production business.	100%	100%	100%	-
Orient Semiconductor Electronics Limited	OSE USA INC. (“OSEU”)	Provided sales agent business in North America.	100%	100%	100%	Notes 3 and 4
Orient Semiconductor Electronics Limited	Coreplus (HK) Limited (“COREPLUS”)	Accepted orders, purchased materials and outsourcing processing of components combination business.	100%	100%	100%	Note 4
Orient Semiconductor Electronics Limited	Hua-Cheng Investment Co. (“Hua-Cheng”)	Reinvestments in various business.	100%	-	-	Notes 4 and 5
OSE International Limited.	OSE Philippines INC. (“OSEP”)	(a) Integrated circuit and semiconductor components. (b) Research, design, manufacture, assembly, processing, test and after-sales service of aforementioned products.	6.33%	6.33%	6.33%	Notes 1 and 2
Corplus (HK) Limited	Value-Plus Technology (Suzhou) Co. (Value-Plus (Suzhou))	Adhesive processing, plug-in welding processing and related test, combination processing, technique maintenance and after-sale service of the surface of base plate of electronic components	100%	100%	100%	Note 4

Note 1: The Company directly held 93.67% of equity interest of OSEP, plus the equity of 6.33% held by the Company’s subsidiary (OSE BVI), the equity held in total was 99.99%.

Note 2: OSEP has stopped operation in the fourth quarter of 2011.

Note 3: On January 26, 2021, the Board of Directors of OSEU approved to stop operation and register for cancellation. The procedures are currently in process.

Note 4: The financial statements of the entity as of and for the six months ended June 30, 2021 and 2020 were not reviewed by independent auditors as the entity did not meet the definition of a significant subsidiary.

Note 5: Subsidiary which was established and invested by the Group in January 2021.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities, and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date; and
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date; and
 - (d) Liabilities for which the repayment date cannot be deferred unconditionally for at least twelve months after the balance sheet date. 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.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

(13) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(15) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment are measured at cost model subsequently. Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method over their estimated useful lives. 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 must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3~51 years
Machinery and equipment	3~ 7 years
Transportation equipment	3 ~ 5 years
Office equipment	3 ~ 6 years
Other equipment	3 ~ 7 years

(17) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. The lease liability is at the present value of the lease payments that are not paid and shall be discounted using the Group's incremental borrowing rate at commencement date. The lease payments include fixed payments less any lease incentives receivable. The lease liability is subsequently measured using an effective interest method on an amortised cost basis and the interest expense is allocated over the lease term. The amount of the remeasurement of the lease liability shall be recognised as an adjustment to the right-of-use asset if there are changes in the lease term or to the lease payments not arising from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability; and
- (b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 40 years.

(19) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 3 years.

(20) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(21) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(22) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(23) Preference share liability

Preference share liabilities issued by the Group contain put options. The Group classifies the bonds payable upon issuance as a financial asset and financial liability in accordance with the contract terms. They are accounted for as follows:

- A. The embedded put options are recognised initially at net fair value as 'financial assets at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets at fair value through profit or loss'.
- B. Preference share liabilities is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on preference share liabilities, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.
- C. Any transaction costs directly attributable to the issuance of preference share liabilities are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

(24) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(25) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(26) Provisions

Provisions (including warranties, etc.) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are not recognised for future operating losses.

(27) Employee benefits

A. Salaries and other short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For the defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on the defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past-service costs are recognised immediately in profit or loss.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(28) Employee share-based payment

Employee restricted shares:

- A. Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

- B. Before satisfying the vested condition of restricted stocks which were issued by the Company, there was no right to appropriate earnings. Other options were the same as the issued common stocks of the Company (including but not limited to: capital reduction, dividend distribution from capital surplus), and equity interest from consolidation, split, share transference and other legal events.
- C. For restricted stocks where employees do not need to pay to acquire those stocks, if employees resign during the vesting period, the Company will redeem at no consideration and retire those stocks which were not vested.

(29) Income taxes

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(30) Share capital

Ordinary shares are classified as equity. The classification of preference shares is determined by assessing the particular rights attached to the preference shares based on the substance of the contract and the definition of financial liabilities and equity instruments. Preference shares are classified as liabilities when they have the fundamental characteristic of financial liabilities (Note 4(23)); otherwise, they are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(31) Revenue recognition

A. Package and test service

- (a) The Group provides package and test of integrated circuit and related business. When performing a contract, the objective is to create or strengthen assets which were controlled by customers, thus, revenue was recognised over time, recognised as contract assets before the contract has been completed, and was transferred to accounts receivable when issuing bills. If the collected proceeds from sales exceeded the amount of recognised revenue, the difference was recognised as contract liabilities.
- (b) As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

B. Manufacturing service of electronic products

- (a) The Group manufactures, processes and sells electronic products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales revenue was recognised as contract price, a refund liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period.

- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
- (d). The Group's obligation to provide a repair for faulty products under the standard warranty terms is recognised as a provision. As of the balance sheet date, the Group estimated probable warranty obligation and recognised liability provisions.

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Revenue recognition on a net/gross basis

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Group controls the good or service before it is provided to a customer include the following:

- A. The Group is primarily responsible for the provision of goods or services;
- B. The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.
- C. The Group has discretion in establishing prices for the goods or services.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

On June 30, 2021, the carrying amount of the Group's inventories was \$1,568,811.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Cash on hand and petty cash	\$ 208	\$ 363	\$ 230
Checking accounts and demand deposits	1,475,501	1,512,970	1,198,449
Time deposits	<u>331,760</u>	<u>332,467</u>	<u>33,778</u>
	<u>\$ 1,807,469</u>	<u>\$ 1,845,800</u>	<u>\$ 1,232,457</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group's demand deposits and time deposits which were provided as collaterals or were restricted due to the foreign capital remitted back in Taiwan and deposited in special account of bank have been transferred to "financial assets at amortised cost—current", please refer to Note 6(4) for details.

C. Aforementioned time deposits had maturities not exceeding three months and were not pledged as collateral, and were classified as cash equivalents according to its nature.

(2) Financial assets at fair value through profit or loss

<u>Items</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Value of preference share liability callable option	<u>\$ 5,225</u>	<u>\$ 6,486</u>

On June 30, 2020: None.

A. For details of the Group's financial assets at fair value through profit or loss recognised in net profit or loss, please refer to Note 6(26) other gains and losses.

B. The Group has no financial assets at fair value through profit or loss pledged to others as collateral.

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

Items	June 30, 2021	December 31, 2020	June 30, 2020
Non-current items:			
Unlisted stocks	\$ 91,670	\$ 107,232	\$ 226,860
Listed stocks	178,560	-	-
	<u>\$ 270,230</u>	<u>\$ 107,232</u>	<u>\$ 226,860</u>

- A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$270,230, \$107,232 and \$226,860 as at June 30, 2021, December 31, 2020 and June 30, 2020, respectively.
- B. For the three months and six months ended June 30, 2021 and 2020, the Group has financial assets at fair value through other comprehensive income recognised in comprehensive (loss) income due to changes of fair value in the amounts of (\$575), \$0, (9,934) and \$0, respectively.
- C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(4) Financial assets at amortised cost

Items	June 30, 2021	December 31, 2020	June 30, 2020
Current items:			
Demand deposits-foreign capital special account	\$ 100,413	\$ 131,045	\$ 136,306
Time deposits	9,751	-	-
	<u>\$ 110,164</u>	<u>\$ 131,045</u>	<u>\$ 136,306</u>

- A. For the three months and six months ended June 30, 2021 and 2020, the interest income from time deposits was recognised under interest income from bank deposits, please refer to Note 6(24).
- B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- C. Demand deposits-foreign capital special account was the amount of the Group deposited in the bank special account in accordance with The Management, Utilization, and Taxation of Repatriated Offshore Funds Act, which were restricted for use based on an approved plan.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Notes and accounts receivable (including related parties)

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Notes receivable	\$ -	\$ 852	\$ 655
Less: Loss allowance	-	-	-
	<u>\$ -</u>	<u>\$ 852</u>	<u>\$ 655</u>
Accounts receivable	\$ 2,919,907	\$ 2,231,890	\$ 2,330,636
Less: Loss allowance	(7,889)	(21,634)	(48,425)
	<u>\$ 2,912,018</u>	<u>\$ 2,210,256</u>	<u>\$ 2,282,211</u>
Accounts receivable due from related parties	\$ 324,914	\$ 229,921	\$ 166,379
Less: Loss allowance	-	-	-
	<u>\$ 324,914</u>	<u>\$ 229,921</u>	<u>\$ 166,379</u>

A. For details of the aging analysis of notes and accounts receivable which were based on the dates past due, please refer to Note 12(2).

B. As of June 30, 2021, December 31, 2020 and June 30, 2020, accounts and notes receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$2,730,366.

C. The Group has no notes and accounts receivable pledged to others as collateral.

D. As at June 30, 2021, December 31, 2020 and June 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable was \$0, \$852 and \$655, and accounts receivable was \$3,236,932, \$2,440,177 and \$2,444,590, respectively.

(6) Inventories

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Raw materials	\$ 1,458,967	\$ 1,107,307	\$ 1,204,620
Supplies	163,549	150,721	145,717
Work in progress	206,945	144,080	188,363
Finished goods	<u>52,029</u>	<u>36,053</u>	<u>152,642</u>
	1,881,490	1,438,161	1,691,342
Less: Allowance for valuation loss	(312,679)	(297,509)	(311,885)
	<u>\$ 1,568,811</u>	<u>\$ 1,140,652</u>	<u>\$ 1,379,457</u>

A. The cost of inventories recognised as expense for the period:

	Three months ended June 30	
	2021	2020
Cost of goods sold	\$ 3,310,426	\$ 3,567,210
Loss on decline in market value	9,711	6,947
Loss on physical inventory	-	257
	<u>\$ 3,320,137</u>	<u>\$ 3,574,414</u>
	Six months ended June 30	
	2021	2020
Cost of goods sold	\$ 6,575,790	\$ 6,996,728
Loss on decline in market value	15,336	(2,228)
Loss on physical inventory	-	257
	<u>\$ 6,591,126</u>	<u>\$ 6,994,757</u>

For the three months and six months ended June 30, 2021, the Group wrote off inventory cost to net realizable value and recognised as increase in cost of goods sold. For the six months ended June 30, 2020, the gain on reversal of net realizable value of inventories was due to the clearance of inventories and recognised as decrease in cost of goods sold.

B. As of June 30, 2021, December 31, 2020 and June 30, 2020, the fire insurance amount of inventories were \$14,069,063, \$13,826,335 and \$13,819,155, respectively.

(7) Investments accounted for using equity method

	Six months ended June 30	
	2021	2020
At January 1	\$ 450,878	\$ 459,383
Earnings distribution of investments accounted for using equity method	(12,947)	(21,578)
Share of profit or loss of investments accounted for using equity method	7,480	19,031
Disposal of investments accounted for using equity method	(9,985)	-
Changes in other equity interest	(2,704)	(1,906)
	<u>\$ 432,722</u>	<u>\$ 454,930</u>

	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	Shareholding ratio	Amount	Shareholding ratio	Amount	Shareholding ratio
Associates:						
OSE PROPERTIES, INC.	\$ -	39.99%	\$ -	39.99%	\$ -	39.99%
ATP ELECTRONICS, TAIWAN INC.	432,722	18.31%	438,168	18.31%	443,500	18.31%
INFOFAB, INC.	-	-	12,710	13.32%	11,430	13.32%
SCS HIGHTECH INC.	-	18.17%	-	18.17%	-	18.17%
	<u>\$ 432,722</u>		<u>\$ 450,878</u>		<u>\$ 454,930</u>	

- A. The Group's long-term equity investments was decreased to \$0 due to the accumulated investment loss which was recognised as a result of the continuous deficit incurred by OSE Properties, Inc.
- B. On May 28, 2021, the Group signed a share transfer agreement with INFOFAB, INC. to sell 13.32% of ownership for proceeds of \$13,576, and all proceeds of the sale have been collected in accordance with the agreement and the equity settlement and transfer have been completed on June 23, 2021.
- C. The carrying amount of the Group's investment in SCS HIGHTECH, INC. has been recognised as zero, and there is no further legal or constructive obligation to accrue additional losses. The company has been defunct since 2007 and is still pending liquidation.
- D. As of June 30, 2021 and December 31, 2020, there was no investments accounted for using equity method pledged as collaterals. On June 30, 2020, among the investments accounted for using equity method, some stocks were pledged as collaterals to banks for financing, please refer to Note 8.
- E. As of June 30, 2021, December 31, 2020 and June 30, 2020, the Group had no significant associate.
- F. The Group's share of the operating results in all individually immaterial associates is summarized below:

	Three months ended June 30	
	2021	2020
Profit for the period	\$ 8,706	12,852
Other comprehensive loss, net of tax	(3,198)	(2,137)
Total comprehensive income for the period	<u>\$ 5,508</u>	<u>\$ 10,715</u>
	Six months ended June 30	
	2021	2020
Profit for the period	\$ 7,480	19,031
Other comprehensive loss, net of tax	(2,120)	(1,354)
Total comprehensive income for the period	<u>\$ 5,360</u>	<u>\$ 17,677</u>

- G. For the three months ended June 30, 2021 and 2020, the Group's investees accounted for using equity method were valued based on the investees' financial statements which were reviewed by independent auditors in the same period.

(8) Property, plant and equipment

	June 30, 2021	December 31, 2020	June 30, 2020
Property, plant and equipment			
- Owner-occupied	\$ 4,978,305	\$ 5,143,826	\$ 5,693,967
- Operating leases	<u>135,887</u>	<u>141,743</u>	<u>137,112</u>
	<u>\$ 5,114,192</u>	<u>\$ 5,285,569</u>	<u>\$ 5,831,079</u>

A. Property, plant and equipment for self-use

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction equipment under acceptance	Total
Cost and revaluation increment:							
January 1, 2021	\$ 7,119,353	\$ 14,463,402	\$ 4,354	\$ 66,823	\$ 389,653	\$ 63,831	\$ 22,107,416
Additions	-	4,540	-	-	32	168,829	173,401
Disposals	-	(245,097)	(147)	(2,646)	(5)	-	(247,895)
Transfer	11,428	285,476	-	-	17,215	3,437	317,556
Impact of changes in foreign exchange rate	-	(6,015)	(40)	(217)	(210)	(2)	(6,484)
June 30, 2021	<u>\$ 7,130,781</u>	<u>\$ 14,502,306</u>	<u>\$ 4,167</u>	<u>\$ 63,960</u>	<u>\$ 406,685</u>	<u>\$ 236,095</u>	<u>\$ 22,343,994</u>
Depreciation and impairment:							
January 1, 2021	\$ 4,779,640	\$ 11,752,849	\$ 4,029	\$ 66,025	\$ 361,047	\$ -	\$ 16,963,590
Depreciation expense	89,688	546,588	62	142	8,901	-	645,381
Disposals	-	(244,703)	(147)	(2,392)	(5)	-	(247,247)
Transfer	-	10,023	-	-	-	-	10,023
Impact of changes in foreign exchange rate	-	(5,660)	(37)	(206)	(155)	-	(6,058)
June 30, 2021	<u>\$ 4,869,328</u>	<u>\$ 12,059,097</u>	<u>\$ 3,907</u>	<u>\$ 63,569</u>	<u>\$ 369,788</u>	<u>\$ -</u>	<u>\$ 17,365,689</u>

	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Unfinished construction equipment under acceptance</u>	<u>Total</u>
Cost and revaluation increment:							
January 1, 2020	\$ 7,058,550	\$ 14,439,967	\$ 4,325	\$ 66,912	\$ 385,547	\$ 93,692	\$ 22,048,993
Additions	-	1,577	-	109	-	175,975	177,661
Disposals	-	(236,792)	-	-	(1,175)	-	(237,967)
Transfer	36,315	285,032	-	-	1,732	(216,152)	106,927
Impact of changes in foreign exchange rate	-	(7,450)	(93)	(240)	(499)	(1)	(8,283)
June 30, 2020	<u>\$ 7,094,865</u>	<u>\$ 14,482,334</u>	<u>\$ 4,232</u>	<u>\$ 66,781</u>	<u>\$ 385,605</u>	<u>\$ 53,514</u>	<u>\$ 22,087,331</u>
Depreciation and impairment:							
January 1, 2020	\$ 4,550,028	\$ 10,961,245	\$ 3,805	\$ 65,519	\$ 344,605	\$ -	\$ 15,925,202
Depreciation expense	116,224	586,056	114	470	10,233	-	713,097
Disposals	-	(236,792)	-	-	(1,175)	-	(237,967)
Impact of changes in foreign exchange rate	-	(6,346)	(78)	(220)	(324)	-	(6,968)
June 30, 2020	<u>\$ 4,666,252</u>	<u>\$ 11,304,163</u>	<u>\$ 3,841</u>	<u>\$ 65,769</u>	<u>\$ 353,339</u>	<u>\$ -</u>	<u>\$ 16,393,364</u>
Carrying amount, net:							
June 30, 2021	<u>\$ 2,261,453</u>	<u>\$ 2,443,209</u>	<u>\$ 260</u>	<u>\$ 391</u>	<u>\$ 36,897</u>	<u>\$ 236,095</u>	<u>\$ 4,978,305</u>
December 31, 2020	<u>\$ 2,339,713</u>	<u>\$ 2,710,553</u>	<u>\$ 325</u>	<u>\$ 798</u>	<u>\$ 28,606</u>	<u>\$ 63,831</u>	<u>\$ 5,143,826</u>
June 30, 2020	<u>\$ 2,428,613</u>	<u>\$ 3,178,171</u>	<u>\$ 391</u>	<u>\$ 1,012</u>	<u>\$ 32,266</u>	<u>\$ 53,514</u>	<u>\$ 5,693,967</u>

B. Property, plant and equipment for operating lease

	Buildings and structures	Machinery and equipment	Total
Cost and revaluation increment:			
January 1, 2021	\$ 279,342	\$ 19,503	\$ 298,845
Additions	-	-	-
Disposals	- (	4,058) (	4,058)
Transfer	- (	15,445) (	15,445)
June 30, 2021	<u>\$ 279,342</u>	<u>\$ -</u>	<u>\$ 279,342</u>
Depreciation and impairment:			
January 1, 2021	\$ 143,389	\$ 13,713	\$ 157,102
Depreciation	66	368	434
Disposals	- (	4,058) (	4,058)
Transfer	- (	10,023) (	10,023)
June 30, 2021	<u>\$ 143,455</u>	<u>\$ -</u>	<u>\$ 143,455</u>
Cost and revaluation increment:			
January 1, 2020	\$ 279,342	\$ -	\$ 279,342
Additions	-	-	-
Disposals	-	-	-
June 30, 2020	<u>\$ 279,342</u>	<u>\$ -</u>	<u>\$ 279,342</u>
Depreciation and impairment:			
January 1, 2020	\$ 138,887	\$ -	\$ 138,887
Depreciation	3,343	-	3,343
Disposals	-	-	-
June 30, 2020	<u>\$ 142,230</u>	<u>\$ -</u>	<u>\$ 142,230</u>
Carrying amount, net:			
June 30, 2021	<u>\$ 135,887</u>	<u>\$ -</u>	<u>\$ 135,887</u>
December 31, 2020	<u>\$ 135,953</u>	<u>\$ 5,790</u>	<u>\$ 141,743</u>
June 30, 2020	<u>\$ 137,112</u>	<u>\$ -</u>	<u>\$ 137,112</u>

C. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Six months ended June 30	
	2021	2020
Amount capitalised	<u>\$ 983</u>	<u>\$ 2,082</u>
Range of the interest rates for capitalisation	<u>1.11% ~ 1.33%</u>	<u>1.73% ~ 3.02%</u>

D. The significant components of buildings and equipment include main plants and each improvement construction, which are depreciated over 30~51 and 3~21 years, respectively.

E. As of June 30, 2021, December 31, 2020 and June 30, 2020, the insured amount of fire insurance of property, plant and equipment were \$10,621,669, \$9,943,954 and \$10,361,568, respectively.

F. Refer to Note 8 for further information on property, plant and equipment pledged to others as collateral.

(9) Leasing arrangements — lessee

A. The Group leased various assets, including property (land, building and structures) and transportation equipment. The lease period of each contract was between 3 to 51 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be subleased, sublet, subtenant to others, transfer the lease right to others and pledged as collaterals.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 214,152	\$ 222,995	\$ 233,041
Buildings and structures	8,919	17,064	21,803
Transportation equipment	<u>4,609</u>	<u>4,648</u>	<u>6,471</u>
	<u>\$ 227,680</u>	<u>\$ 244,707</u>	<u>\$ 261,315</u>
<u>Three months ended June 30</u>			
	<u>2021</u>	<u>2020</u>	
	<u>Depreciation expense</u>	<u>Depreciation expense</u>	
Land	\$ 3,756	\$ 3,791	
Buildings and structures	1,670	2,488	
Transportation equipment	<u>893</u>	<u>1,127</u>	
	<u>\$ 6,319</u>	<u>\$ 7,406</u>	
<u>Six months ended June 30</u>			
	<u>2021</u>	<u>2020</u>	
	<u>Depreciation expense</u>	<u>Depreciation expense</u>	
Land	\$ 7,523	\$ 7,485	
Buildings and structures	3,366	5,095	
Transportation equipment	<u>1,721</u>	<u>2,288</u>	
	<u>\$ 12,610</u>	<u>\$ 14,868</u>	

C. For the six months ended June 30, 2021 and 2020, the Group has increases in right-of-use assets of \$1,777 and \$24,008, respectively.

D. Information on profit or loss in relation to lease contracts is as follows:

<u>Items affecting profit or loss</u>	<u>Three months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Interest expense on lease liabilities	\$ 1,164	\$ 1,344
Expense on short-term lease contracts	1,400	1,722
Expense on leases of low-value assets	916	814
(Excluding expense on leases of low-value assets of short-term lease)		

<u>Items affecting profit or loss</u>	<u>Six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Interest expense on lease liabilities	\$ 2,360	\$ 2,706
Expense on short-term lease contracts	2,700	4,169
Expense on leases of low-value assets	1,848	1,679
(Excluding expense on leases of low-value assets of short-term lease)		

E. For the six months ended June 30, 2021 and 2020, the total amount of the Group's cash outflow from leasing were \$17,698 and \$22,206, respectively.

F. The Group has applied the practical expedient to "Covid-19-related rent concessions", and recognised the gain from changes in lease payments arising from the rent concessions amounting to \$662, \$446, \$883 and \$466 for the three months and six months ended June 30, 2021 and 2020, respectively.

(10) Leasing arrangements - lessor

A. The Group leases various assets including plant and office. Rental contracts are typically made for periods of 2 and 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To secure the use of the leased assets, the leased assets may not be subleased, transferred or provided to others in other ways.

B. Gain arising from operating lease agreements are as follows:

	<u>Three months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Fixed lease payments and related income from variable lease payments determined by indexes or rates:	\$ 1,626	\$ 6,121
	<u>Six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Fixed lease payments and related income from variable lease payments determined by indexes or rates:	\$ 3,690	\$ 12,383

C. The maturity analysis of the lease payments under the operating leases is as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Within 1 year	\$ 6,499	\$ 7,867	\$ 22,601
Later than one year but not later than two years	5,096	6,688	21,469
Later than two years but not later than three years	4,254	4,254	5,689
Later than three years but not later than four years	1,064	3,191	4,254
Later than four years but not later than five years	-	-	1,064
	<u>\$ 16,913</u>	<u>\$ 22,000</u>	<u>\$ 55,077</u>

D. For disclosures of property, plant and equipment leased in operating lease and applied to IAS 16, please refer to Note 6(8).

(11) Investment property

	Buildings and structures	
	2021	2020
<u>Cost</u>		
At January 1	\$ 583,773	\$ 616,569
Disposals	(9,670)	-
Net exchange differences	(12,623)	(9,224)
At June 30	<u>\$ 561,480</u>	<u>\$ 607,345</u>
<u>Accumulated depreciation and impairment</u>		
At January 1	\$ 189,287	\$ 176,136
Depreciation expense	11,113	11,845
Disposals	(1,059)	-
Net exchange differences	(4,294)	(2,766)
At June 30	<u>\$ 195,047</u>	<u>\$ 185,215</u>
Book value	<u>\$ 366,433</u>	<u>\$ 422,130</u>

A. For the three months and six months ended June 30, 2021 and 2020, rental revenue recognised from investment property were \$369, \$0, \$733 and \$0, respectively, and there were no direct operating expenses.

B. Compared with December 31, 2020, the fair value of the Group's investment property has no significant change on June 30, 2021. On December 31, 2020 and June 30, 2020, the fair values were \$462,414 and \$479,536, respectively, the valuation results were appraised using the cost approach by independent appraisers and belongs to Level 3 fair value.

C. The Group has no investment property pledged to others as collateral.

(12) Intangible assets

	Computer software	
	2021	2020
<u>Cost</u>		
At January 1	\$ 405,052	\$ 377,535
Additions — acquired separately	10,547	15,929
Reclassifications	6,310	7,210
Net exchange differences	(2)	(6)
At June 30	<u>\$ 421,907</u>	<u>\$ 400,668</u>
<u>Accumulated amortisation</u>		
At January 1	\$ 370,346	\$ 319,090
Amortisation charge	18,290	29,939
Net exchange differences	-	8
At June 30	<u>\$ 388,636</u>	<u>\$ 349,037</u>
Book value	<u>\$ 33,271</u>	<u>\$ 51,631</u>

A. Details of amortisation on intangible assets are as follows:

	Three months ended June 30	
	2021	2020
Operating costs	<u>\$ 5,184</u>	<u>\$ 6,388</u>
Operating expenses	<u>\$ 3,794</u>	<u>\$ 8,062</u>
	Six months ended June 30	
	2021	2020
Operating costs	<u>\$ 10,034</u>	<u>\$ 14,111</u>
Operating expenses	<u>\$ 8,256</u>	<u>\$ 15,828</u>

B. There was no investment property held by the Group that was pledged to others.

(13) Short-term borrowings

	June 30, 2021	December 31, 2020	June 30, 2020
Borrowings to purchase materials	\$ 149,895	\$ 182,145	\$ 648,589
Unsecured borrowings	600,000	854,841	1,786,514
Secured borrowings	<u>8,079</u>	<u>69,427</u>	<u>7,852</u>
	<u>\$ 757,974</u>	<u>\$ 1,106,413</u>	<u>\$ 2,442,955</u>
Interest rate range	<u>0.94%~1.28%</u>	<u>1.33%~1.58%</u>	<u>1.32%~2.25%</u>

For the three months and six months ended June 30, 2021 and 2020, the amounts of interest expense recognised in profit or loss were \$1,181, \$5,169, \$6,038 and \$9,978, respectively.

A. As of June 30, 2021, December 31, 2020 and June 30, 2020, the Group's total unused amounts

of short-term borrowings was \$2,724,211, \$1,734,361 and \$798,686, respectively.

B. Information about the assets that were pledged for short-term borrowings as collateral is provided in Note 8.

(14) Short-term notes and bills payable

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Commercial paper payable	\$ -	\$ -	\$ 200,000
Less: Unamortized discounts	-	-	(113)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,887</u>
Interest rate range of issuance	-	-	1.6000%~1.688%

Aforementioned commercial paper payable was guaranteed and issued by International Bills Finance Corporation, Mega Bills Finance Co., Ltd. and China Bills Finance Corporation.

(15) Other payables

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Wages and salaries payable	\$ 481,551	\$ 428,440	\$ 280,482
Payables for machinery and equipment	175,654	87,975	136,153
Insurance premiums payable	66,480	65,378	79,014
Utilities expense payable	38,408	7,677	33,781
Compensation payable	24,540	39,540	-
Employees' compensation and directors' emuneration payable	100,462	995	72,344
Pension payable	28,177	24,856	35,895
Employment Stability Fund payable	16,841	19,881	22,872
Dividends payable	-	-	82,849
Other payables	<u>77,069</u>	<u>101,575</u>	<u>83,928</u>
	<u>\$ 1,009,182</u>	<u>\$ 776,317</u>	<u>\$ 827,318</u>

(16) Long-term borrowings

Type of Borrowings	Borrowing period and repayment term	Interest rate range	Collateral	June 30, 2021
Long-term bank borrowings				
Secured borrowings	Borrowing period is from June 2021 to June 2024; interest is payable monthly; principal is repayable at maturity	1.05%	Note 1	\$ 300,000
Less: Current portion				-
				<u>\$ 300,000</u>
Type of Borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2020
Long-term bank borrowings				
Secured borrowings	Borrowing period is from April 2020 to May 2023; interest is payable monthly; principal is repayable at maturity	1.32%~1.55%	Note 1	\$ 600,000
Secured borrowings	Borrowing period is from September 2018 to February 2023 interest is repayable monthly; principal is repayable periodically.	1.45%~1.55%	Note 1	261,600
Other bank borrowings	Note 2	1.00%	-	4,846
				866,446
Less: Current portion				(246,446)
				<u>\$ 620,000</u>
Type of Borrowings	Borrowing period and repayment term	Interest rate range	Collateral	June 30, 2020
Long-term bank borrowings				
Secured borrowings	Borrowing period is from June 2019 to June 2022; interest is payable monthly; principal is repayable at maturity.	1.32%~1.539%	Note 1	\$ 520,000
Secured borrowings	Borrowing period is from December 2017 to August 2023; interest is repayable monthly; principal is repayable periodically.	1.51%~1.76%		1,335,702
Other bank borrowings	Note 2	1.00%	-	5,041
				1,860,743
Less: Current portion				(885,310)
				<u>\$ 975,433</u>

Note 1: Primarily were time deposits, provision deposits, building and structures, machinery and equipment.

Note 2: Primarily was the Paycheck Protection Program loan which was provided by the U.S. Government to mitigate the economic impact of COVID-19. The original borrowing period started from May 2020 to May 2022. However, on January 26, 2021, the Board of Directors of the Group's subsidiary, OSEU, approved to stop operation and registered for cancellation, thus, the loan has been repaid in advance in March 2021.

- A. For the three months and six months ended June 30, 2021 and 2020, the amounts of interest expense recognised in profit or loss were \$1,360, \$12,106, \$1,478 and \$27,564, respectively.
- B. As of June 30, 2021, December 31, 2020 and June 30, 2020, the Group's total unused amounts of long-term borrowings was \$2,398,000 \$200,000 and \$680,000, respectively.
- C. Information about the assets that were pledged for long-term borrowings as collateral is provided in Note 8.

(17) Pensions

- A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. For the Company's domestic employees who are applicable to the Labor Pension Act, the Company and its domestic subsidiaries contribute monthly an amount equal to 10% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.
- (b) For the three months and six months ended June 30, 2021 and 2020, the Company recognised pension costs in the amounts of \$1,747, \$2,289, \$3,493 and \$4,849, respectively.
- (c) The Group expects to pay contributions for the pension plan in the amount of \$70,645 in the future one year.
- B.(a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company's mainland China subsidiary, Value-Plus Technology (Suzhou) Co. (Value-Plus (Suzhou)), has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations. Other foreign subsidiaries contributed to related pension management plans according to local regulations.
- (c) The pension costs under the defined contribution pension plan of the Group for the three months and six months ended June 30, 2021 and 2020 were \$30,146, \$27,643, \$57,455 and \$56,320, respectively.

(18) Preference share liability

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Class B preferred shares	\$ 1,005,803	\$ 1,006,485
Less: Maturity within one year	-	-
	<u>\$ 1,005,803</u>	<u>\$ 1,006,485</u>

On June 30, 2020: None.

On December 3, 2020, the Company's shareholders held an extraordinary general meeting and approved the private placement of class B preferred shares in the amount of 90,090 thousand shares. The subscriber, Chipbond Technology Corporation (Chipbond) has completed the payment on December 16, 2020, with a total amount of \$999,999 at \$11.1 per share. The effective date was set on December 21, 2020. According to the issuance condition of class B preferred shares, the issuance period was 5 years and there was an obligation to pay cash or transfer another financial asset to the counterparty (holder). Thus, the value of the preference share was split into preference share liabilities and call options (shown as financial assets at fair value through profit or loss) in the amounts of \$1,006,485 and \$6,486, respectively. For the three months and six months ended June 30, 2021, the amount of interest expense which was estimated by annual rate and amortised based on interest method was \$4,590 and \$9,234, respectively.

The issuance conditions were as follows:

- A. The distribution of earnings was based on the Company's Articles of Incorporation, current year or current quarter and accumulated undistributable dividend shall be appropriated to class B preferred shares in the first priority. If there were no earnings or earnings were not sufficient to be appropriated to class B preferred shares, the distributable earnings shall be appropriated to class B preferred shares. The dividend deficiency shall be made up in a profitable year or quarter subsequently in the first priority.
- B. The annual dividend rate of class B preferred shares was 2% which were calculated at the issuance price per share and paid in cash, the ex-dividend date of preferred dividend was authorised to be determined by the Board of Directors. The issuance number in issuance year or quarter and recovered year or quarter were calculated at the actual issuance number of days.
- C. If the expected dividend distribution amount of common share exceeds the dividend amount of class B preferred shares in the current year or quarter, the shareholders of class B preferred shares cannot participate in the distribution.
- D. Except for aforementioned dividend, the shareholders of class B preferred shares cannot participate in the appropriation of earnings and reserves to shareholders of common share and other types of preference shares.
- E. Class B preferred shares were not promised to be transferred to common share.

- F. The shareholders of class B preferred shares have no voting right in the common shareholders' meeting and cannot be elected as directors (including independent directors). However, the shareholders of class B preferred shares has voting right in preferred shareholders' meeting and matters of preferred shareholders' right.
- G. When it comes to appropriate residual assets of company, class B preferred shares have priority over common shares and class C preferred shares. However, the amount was limited to the issuance price plus total amount of unpaid dividend.
- H. The issuance period of class B preferred shares was 5 years, shareholders of class B preferred shares did not have right to demand the Company call back class B preferred shares. However, on the date after 3 years of the issuance date, the Company can call back all or some of class B preferred shares at actual issuance price in cash or other ways which were permitted by regulations. The rights and obligations of class B preferred shares which have not been called will continue until the Company calls back. In the current year of calling back the class B preferred shares, if the Company's shareholders resolve to appropriate dividends, the amount of dividends which have to be distributed as of the date of call back will be calculated according to the number of actual issuance days in the current year.
- I. The preemptive rights for stockholders of Class B preferred stocks are the same as of common stocks when the Company increases its capital by issuing shares.
- J. When class B preferred shares meet the condition of called back or mature in the issuance period, if the Company cannot call back all or some class B preferred shares due to force majeure or inscrutable fault of the Company, the rights of class B preferred shares which have not been called back will continue according to aforementioned issuance conditions until the Company calls back all the class B preferred shares. The dividends will be calculated according to original annual rate and actual extension period, the rights of class B preferred shares shall not be diminished according to the Company's Articles of Incorporation.
- K. Class B preferred shares will not be listed in the issuance period.

(19) Share-based payment

- A. For the six months ended June 30, 2021 and 2020, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	2019.11.25	5,000 thousand shares	3 years	Note

Note: The service time limit and performance conditions were as follows:

- (a) After employees obtain employee restricted shares, starting from the effective date of capital increase, if employees are on-the-job when the vested period has expired, also, meet certain standard of annual individual performance assessment and comply with regulation, did not violate service contract of the Company, working rules and be punished, the employees can achieve vested conditions.

- (b) The Group can use the earnings per share and profit growth of parent company only financial statements in the latest year of vesting period expires as a basis of performance conditions:
 The first year: Earnings per share was above \$0.3 (including \$0.3);
 The second year: Earnings per share was above \$0.8 (including \$0.8); and
 The third year: Earnings per share was above \$1.0 (including \$1.0).
- (c) After achieving individual performance conditions and company performance conditions in the same time, employees' proportion of shares under vested condition in the current year based on the service conditions were as follows:
 Service for one year after distribution, 30% of the distributed shares;
 Service for two years after distribution, 30% of the distributed shares;
 Service for three years after distribution, 40% of the distributed shares;

Restrictions on the rights and vesting conditions of restricted shares for employees were as follows:

- (a) The restricted shares which the employees will obtain were kept by the designated trust institution as trustee, which the employee cannot request to return the restricted shares 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 accomplishes 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 and shareholders' meeting are regulated by Article 165-3 of the Company Law, or other facts that has occurred to the date of rights allocation. The unrestricted shares of the employees that have achieved the vesting conditions during the aforementioned period still have no rights to obtain dividends or allotment.

B. Details of the share-based payment arrangements are as follows: (unit: thousand shares)

	2021	2020
At January 1	3,283	5,000
Called back in the period (Note 1)	(207)	(144)
At June 30 (Note 2)	<u>3,076</u>	<u>4,856</u>

Note 1: For the restricted shares which were called back by the Group during the six months ended June 30, 2021 and 2020, 49 thousand shares and 30 thousand shares have not yet completed the registration of cancellation as of June 30, 2021 and 2020, respectively.

Note 2: For the restricted shares which were granted as of June 30, 2021, 1,318 thousand shares will be called back because of not meeting the vesting conditions.

- C. On November 25, 2019, the fair value of share-based payments transaction which was given by the Group was \$15.8.
- D. For the three months and six months ended June 30, 2021 and 2020, the Group recognised expenses due to share-based payments transaction in the amounts of \$2,076, \$10,716, \$4,280 and \$21,492, respectively.

(20) Share capital

- A. On June 30, 2021, the Company's authorised capital was \$20,000,000, consisting of 2,000,000 thousand shares (including the number of option certificate which can be purchased), and will be issued in several times. The shares which were not issued can be issued in common shares and preference shares in several times based on the Company's business requirement, 90,000 thousand shares will be retained for option certificates. As of June 30, 2021, the Company's paid-in capital was \$8,271,310, consisting of 556,861 thousand common shares (including 180,000 thousand shares in private placement and 3,125 thousand shares of restricted shares), 90,090 thousand class B preferred shares and 180,180 thousand class C preferred shares in private placement, with a par value of \$10 per share. All proceeds from shares issued have been collected. The Company's outstanding number of preference shares in the beginning and ending of the period were the same.

Movements in the number of the Company's ordinary shares outstanding are as follows:
(thousand shares)

	2021	2020
Shares outstanding at January 1	\$ 553,736	\$ 552,329
Restricted shares called back but not yet cancelled at the beginning of the period	24	-
Restricted shares not yet vested at the beginning of the period	<u>3,283</u>	<u>5,000</u>
Shares issued at January 1	557,043	557,329
Cancellation of employee restricted shares (	182) (	114)
Restricted shares called back but not yet cancelled at the end of the period	(49) (	30)
Restricted shares not yet vested at the end of the period	(3,076) (	4,856)
At June 30	<u>\$ 553,736</u>	<u>\$ 552,329</u>

- B. The Company had increased capital by cash by \$1,800,000 thousand, consisting of 180,000 thousand shares with a par value of \$10 per share and issued at discounted price of \$9.2 on May 30, 2007. The rights and obligations of new shares by private placement are the same as those of common shares.

- C. On June 29, 2018, the Company's shareholders approved to issue restricted shares in the amount of 50,000 thousand, which was common share with a par value of \$10, has been applied for effectiveness through FSC on June 10, 2019. The effective date was November 25, 2019 and the registration of changes has been completed on December 10, 2019.
- D. For details of the issuance of class B preferred shares, please refer to Note 6(18).
- E. On December 3, 2020, the Company's shareholders in the extraordinary meeting approved to issue 180,180 thousand class C preferred shares in private placement with a par value of \$10 and issued at \$11.1 per share. The paid-in capital was \$1,801,800 thousand. The effective date of capital increase was set on December 21, 2020 in accordance with the Securities and Exchange Act Article 43-6.

According to the Company's Articles of Incorporation, the rights and obligations of preferred share were as follows:

- (a) The distribution of earnings was based on the Company's Articles of Incorporation, current year or current quarter and accumulated undistributable dividend shall be appropriated to class B preferred shares in the first priority, then, appropriated to class C preferred shares in the second priority.
- (b) The annual dividend rate of class C preferred shares was 2% which were calculated at the issuance price per share and paid in cash, the ex-dividend date of preferred dividend was authorised to be determined by the Board of Directors. The issuance number in issuance year or quarter and recovered year or quarter were calculated at the actual issuance number of days.
- (c) If the expected dividend distribution amount of common share exceeds the dividend amount of class C preferred shares in the current year or quarter, the shareholders of class C preferred shares can participate in the distribution until the dividend amount of class C preferred share is the same as common share per share.
- (d) The Company has discretion in dividend distribution of Class A preferred stocks. If the Company has no or has insufficient current year's earnings for distribution or has other necessary considerations, the Company can resolve not to distribute dividend to class C preferred share and it will not default, and the shareholders of class C preferred share cannot object. Class C preferred shares are non-cumulative, and the amount of dividends which were not distributed or insufficient will not be made up in the profitable year or quarter thereafter.
- (e) Starting from the next day of five years after issuance, the shareholders of class C preferred share can transfer the preferred share to common share at a transfer ratio of 1:1. After the transfer of preferred share to common share, the rights and obligations (excluding the transfer restriction by regulation and not listed) were the same as other outstanding common share of the Company. For class C preferred shares which have been transferred into common shares before the ex-right (ex-dividend) date in the current year or quarter can participate in the common share distribution of earnings or reserves in the current year or quarter and cannot participate in the dividend distribution of preferred shares in the current year or quarter. For

class C preferred shares which have been transferred into common shares after the ex-right (ex-dividend) date in the current year or quarter can participate in the dividend distribution of preferred share in the current year or quarter and cannot participate in the dividend distribution of earnings or capital reserves in the current year or quarter. Preferred dividends will not be repeatedly appropriated if it is distributed in the same year or quarter with common stock dividends.

- F. The shareholders of class C preferred shares have no voting right in the common shareholders' meeting and cannot be elected as directors (including independent directors). However, the shareholders of class C preferred shares have voting right in preferred shareholders' meeting and matters of preferred shareholders' right.
- G. When it comes to appropriating residual assets of Company, class C preferred shares have priority over common shares and next to class B preferred shares. However, the amount was limited to the issuance price plus total amount of unpaid dividend.
- H. Class C preferred shares have no expiry date, and the shareholders of class C preferred shares have no right to require the Company to call back class C preferred shares or transfer the class C preferred share into common share in advance. However, the Company can call back in cash at actual issuance price, mandatorily transfer by issuing new shares or call back all or some class C preferred shares in other ways permitted by regulations on the next day after three years. The rights and obligations of class C preferred shares which have not been called will continue until the Company calls back. In the current year of calling back the class C preferred shares, if the Company's shareholders resolve to appropriate dividends, the amount of dividends which have to be distributed as of the date of call back will be calculated according to the actual days of issuance in the current year.
- I. The preemptive rights for stockholders of Class C preferred shares are the same as of common shares when the Company increases its capital by issuing shares.
- J. Class C preferred share was not listed and traded in the issuance period, however, if all or some were transferred into common shares, the Board of Directors was authorised to apply for public offering and listing to the authorisation according to the current situation and related regulations.

(21) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Share premium on preferred share	\$ 198,198	\$ 198,198	\$ -
Changes in ownership interests in subsidiaries	5,717	5,717	5,717
Difference between consideration and carrying amount of subsidiaries acquired or disposed	16,940	16,940	16,940
Changes of associates and joint ventures accounted for using equity method	(2,675)	(2,675)	(2,675)
Employee restricted shares	<u>2,603</u>	<u>2,543</u>	<u>26,869</u>
	<u>\$ 220,783</u>	<u>\$ 220,723</u>	<u>\$ 46,851</u>

(22) Retained earnings

- A. According to the Company's Articles of Incorporation, after every end of quarter, the Company can appropriate earnings or offset deficits, and for earnings which were appropriated in the form of cash, it shall be resolved by the Board of Directors and reported to shareholders in accordance with the Company Act, Article 228-1 and paragraph 5 of Article 240.
- B. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. For setting aside or reversal for special reserve in accordance with related laws or Competent Authority's regulations, if any, the Board of Directors should propose the distribution of the remaining earnings along with prior accumulated undistributed earnings for the approval of the shareholders.
- C. The industry environment of the Company is constantly changing and the enterprise is in the growth stage of its life cycle. Considering the Company's capital requirement in the future and long-term financial plan and satisfying shareholders' demand of cash inflow, the expected appropriation amount in the current year shall not be lower than 10% of accumulated distributable amount. However, if the accumulated distributable earnings is lower than 1% of paid-in capital, the earnings cannot be appropriated, and the cash dividend shall not be lower than 10% of total dividend.
- D. According to Company Act, the distribution to legal reserve shall continue until the total amount equals to total capital. Legal reserve is used to offset accumulated deficits. If the Company has no deficits, 25% of the part of legal reserve exceeding the paid-in capital can be used to issue new stocks or cash to shareholders in proportion to their share ownership.
- E. Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory- Securities-Corporate-1010012865, which sets out the following provisions for

compliance: On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that a 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.

F. On July 15, 2021, the Company's shareholders at their meetings resolved to offset deficits for the year ended December 31, 2020, and there was no distributable earnings. On June 18, 2020, the shareholders approved the earnings appropriation for the year ended December 31, 2019 with a common share dividend of NTD 0.15 per share and the total amount was \$82,849.

G. On July 29, 2021, the Company's Board of Directors resolved not to distribute the appropriation of earnings in the second quarter of 2021.

(23) Operating revenue

	Three months ended June 30	
	2021	2020
Revenue from contracts with customers		
IC packaging and testing service revenue	\$ 3,046,693	\$ 1,549,003
Electronics manufacturing service revenue	1,080,471	1,922,014
Other operating revenue	21,207	28,912
	<u>\$ 4,148,371</u>	<u>\$ 3,499,929</u>
	Six months ended June 30	
	2021	2020
Revenue from contracts with customers		
IC packaging and testing service revenue	\$ 5,688,896	\$ 3,600,520
Electronics manufacturing service revenue	2,200,774	3,395,460
Other operating revenue	47,597	146,482
	<u>\$ 7,937,267</u>	<u>\$ 7,142,462</u>

A. Disaggregation of revenue from contracts with customers

	Semiconductor		
<u>Three months ended June 30, 2021</u>	<u>Group</u>	<u>EMS Group</u>	<u>Total</u>
IC packaging and testing service revenue	\$ 3,046,693	\$ -	\$ 3,046,693
Manufacture of electronic products	-	1,080,471	1,080,471
Other	11,798	9,409	21,207
	<u>\$ 3,058,491</u>	<u>\$ 1,089,880</u>	<u>\$ 4,148,371</u>
Timing of revenue recognition:			
Over time	\$ 3,046,693	\$ -	\$ 3,046,693
At a point in time	11,798	1,089,880	1,101,678
	<u>\$ 3,058,491</u>	<u>\$ 1,089,880</u>	<u>\$ 4,148,371</u>
	Semiconductor		
<u>Three months ended June 30, 2020</u>	<u>Group</u>	<u>EMS Group</u>	<u>Total</u>
IC packaging and testing service revenue	\$ 1,549,003	\$ -	\$ 1,549,003
Manufacture of electronic products	-	1,922,014	1,922,014
Other	18,655	10,257	28,912
	<u>\$ 1,567,658</u>	<u>\$ 1,932,271</u>	<u>\$ 3,499,929</u>
Timing of revenue recognition:			
Over time	\$ 1,549,003	\$ -	\$ 1,549,003
At a point in time	18,655	1,932,271	1,950,926
	<u>\$ 1,567,658</u>	<u>\$ 1,932,271</u>	<u>\$ 3,499,929</u>
	Semiconductor		
<u>Six months ended June 30, 2021</u>	<u>Group</u>	<u>EMS Group</u>	<u>Total</u>
IC packaging and testing service revenue	\$ 5,688,896	\$ -	\$ 5,688,896
Manufacture of electronic products	-	2,200,774	2,200,774
Other	25,048	22,549	47,597
	<u>\$ 5,713,944</u>	<u>\$ 2,223,323</u>	<u>\$ 7,937,267</u>
Timing of revenue recognition:			
Over time	\$ 5,688,896	\$ -	\$ 5,688,896
At a point in time	25,048	2,223,323	2,248,371
	<u>\$ 5,713,944</u>	<u>\$ 2,223,323</u>	<u>\$ 7,937,267</u>

<u>Six months ended June 30, 2020</u>	Semiconductor		
	Group	EMS Group	Total
IC packaging and testing service revenue	\$ 3,600,520	\$ -	\$ 3,600,520
Manufacture of electronic products	-	3,395,460	3,395,460
Other	95,030	51,452	146,482
	<u>\$ 3,695,550</u>	<u>\$ 3,446,912</u>	<u>\$ 7,142,462</u>
Timing of revenue recognition:			
Over time	\$ 3,600,520	\$ -	\$ 3,600,520
At a point in time	95,030	3,446,912	3,541,942
	<u>\$ 3,695,550</u>	<u>\$ 3,446,912</u>	<u>\$ 7,142,462</u>

B. Contract assets and liabilities

(a) The Group has recognised the following revenue-related contract assets and liabilities:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Current contract assets			
IC packaging and testing service	<u>\$ 332,015</u>	<u>\$ 304,825</u>	<u>\$ 185,404</u>
Current contract liabilities			
IC packaging and testing service	\$ 63,870	\$ 4,716	\$ 4,578
Manufacture of electronic products	8,224	20,655	21,032
	<u>\$ 72,094</u>	<u>\$ 25,371</u>	<u>\$ 25,610</u>

Note: As of January 1, 2020, the Group recognised current contract liabilities in the amount of \$29,439.

(b) Information relating to credit risk of contract assets is provided in Note 12(2).

(c) For the three months and six months ended June 30, 2021, revenue recognised that was included in the contract liability balance at the beginning of the period amounted to \$1,442, \$1,673, \$13,623 and \$4,873, respectively.

(24) Interest income

	Three months ended June 30	
	2021	2020
Interest income from bank deposits	\$ 604	\$ 1,240
Interest income from loans to others	321	576
Interest income from financial assets measured at amortised cost	25	8
	<u>\$ 950</u>	<u>\$ 1,824</u>

	Six months ended June 30	
	2021	2020
Interest income from bank deposits	\$ 840	\$ 1,774
Interest income from loans to others	872	1,162
Interest income from financial assets measured at amortised cost	36	8
	<u>\$ 1,748</u>	<u>\$ 2,944</u>

(25) Other income

	Three months ended June 30	
	2021	2020
Service revenue	\$ 6,133	\$ 6,121
Rental revenue	1,990	4,709
Other income	7,426	3,773
	<u>\$ 15,549</u>	<u>\$ 14,603</u>

	Six months ended June 30	
	2021	2020
Service revenue	\$ 12,278	\$ 12,383
Rental revenue	4,423	9,759
Other income	25,980	7,830
	<u>\$ 42,681</u>	<u>\$ 29,972</u>

(26) Other gains and losses

	Three months ended June 30	
	2021	2020
Gains on disposals of investments accounted for using equity method	\$ 3,550	\$ -
Gains on disposals of property, plant and equipment	1,437	20
Net currency exchange losses	(35,563)	(19,856)
Losses on disposals of investment property	(8,611)	-
Gains on financial assets at fair value through profit or loss	450	-
Others	8,339	(426)
	<u>(\$ 30,398)</u>	<u>(\$ 20,262)</u>

	Six months ended June 30	
	2021	2020
Gains on disposals of investments accounted for using equity method	\$ 3,550	\$ -
Gains on disposals of property, plant and equipment	2,569	884
Net currency exchange losses	(42,674)	(4,891)
Losses on disposals of investment property	(8,611)	-
Gains on financial assets at fair value through profit or loss	(1,261)	-
Others	8,071	(640)
	<u>(\$ 38,356)</u>	<u>(\$ 4,647)</u>

(27) Finance costs

	Three months ended June 30	
	2021	2020
Interest expense on borrowings from financial institutions	\$ 3,013	\$ 18,212
Interest expense on lease liability	1,164	1,344
Dividends on preference share liabilities	4,590	-
Others	1	9
	<u>8,768</u>	<u>19,565</u>
Less: Capitalisation of qualifying assets	(472)	(937)
	<u>\$ 8,296</u>	<u>\$ 18,628</u>

	Six months ended June 30	
	2021	2020
Interest expense on borrowings from financial institutions	\$ 8,499	\$ 39,624
Interest expense on lease liability	2,360	2,706
Dividends on preference share liabilities	9,234	-
Others	2	179
	<u>20,095</u>	<u>42,509</u>
Less: Capitalisation of qualifying assets	(983)	(2,082)
	<u>\$ 19,112</u>	<u>\$ 40,427</u>

(28) Expenses by nature

	Three months ended June 30	
	2021	2020
Employee benefit expense	\$ 1,112,145	\$ 825,298
Depreciation charges on property, plant and equipment	310,169	356,859
Depreciation expense on investment properties	5,498	5,866
Depreciation expense on right-of-use assets	6,319	7,406
Amortisation charges on intangible assets	8,978	14,450

	Six months ended June 30	
	2021	2020
Employee benefit expense	\$ 2,112,513	\$ 1,721,408
Depreciation charges on property, plant and equipment	645,815	716,440
Depreciation expense on investment properties	11,113	11,845
Depreciation expense on right-of-use assets	12,610	14,868
Amortisation charges on intangible assets	18,290	29,939

(29) Employee benefit expense

	Three months ended June 30	
	2021	2020
Salary expenses	\$ 929,373	\$ 652,764
Labour and health insurance fees	83,948	79,686
Pension costs	31,893	29,932
Employee restricted shares	2,076	10,716
Other personnel expenses	64,855	52,200
	<u>\$ 1,112,145</u>	<u>\$ 825,298</u>

	Six months ended June 30	
	2021	2020
Salary expenses	\$ 1,753,083	\$ 1,368,105
Labour and health insurance fees	164,095	164,535
Pension costs	60,948	61,169
Employee restricted shares	4,280	21,492
Other personnel expenses	130,107	106,107
	<u>\$ 2,112,513</u>	<u>\$ 1,721,408</u>

Under the Company's Articles of Incorporation, the current year's pre-tax profit, net of employees' compensation and directors' remuneration, shall be first used to offset accumulated deficits, then appropriate over 8%~12% for employee's compensation and under 3% for remuneration to directors. In addition, the appropriation ratios were amended to be 10%~15% for employees' compensation and under 1% for remuneration to directors as resolved at the shareholders' meeting on July 15, 2021.

A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, has the determination of distribution ratios of employees' compensation and directors' remuneration and the abovementioned employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting. The profit distributable as employees' compensation distributed can be in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation.

For the three months and six months ended June 30, 2021 and 2020, the employees' compensation and directors' remuneration were estimated and accrued based on certain proportion of distributable profit of current year amounting to \$66,498, (\$953), \$91,329 and \$0; as well as \$4,477, (\$179), \$9,133 and \$0, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2020, the Company had no earnings, and thus did not accrue employees' compensation and directors' remuneration.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Income tax

A. Income tax expense (benefit)

Components of income tax expense (benefit):

	<u>Three months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profits for the period	\$ 1,309	\$ 13,855
Deferred tax:		
Origination and reversal of temporary differences	3,743	(6,920)
Origination and reversal of tax loss and tax credit	<u>103,695</u>	<u>(55,341)</u>
Income tax expense (benefit)	<u>\$ 108,747</u>	<u>(\$ 48,406)</u>
	<u>Six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profits for the period	\$ 1,339	\$ 13,886
Deferred tax:		
Origination and reversal of temporary differences	10,841	(1,277)
Origination and reversal of tax loss and tax credit	<u>157,638</u>	<u>(58,924)</u>
Income tax expense (benefit)	<u>\$ 169,818</u>	<u>(\$ 46,315)</u>

B. Reconciliation between income tax expense and accounting profit

	<u>Three months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Changes in fair value of financial assets at fair value through other comprehensive income	(\$ 502)	\$ -
Currency translation differences	(1,626)	(2,033)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(424)	(427)
	<u>(\$ 2,552)</u>	<u>(\$ 2,460)</u>

	Six months ended June 30	
	2021	2020
Changes in fair value of financial assets at fair value through other comprehensive income	(\$ 3,112)	\$ -
Currency translation differences	(1,495)	(1,707)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(424)	(271)
	(\$ 5,031)	(\$ 1,978)

C. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(31) Earnings (loss) per share

Three months ended June 30, 2021			
		Weighted average number of ordinary shares outstanding	Earnings per share
	Amount after tax	(share in thousands)	(in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 423,998	553,736	0.77
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 423,998	553,736	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	4,423	
Employee restricted stock		1,041	
Convertible preferred stock	-	180,180	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 423,998	739,380	\$ 0.57

Three months ended June 30, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 274,446)	\$ 552,329	(\$ 0.50)
Six months ended June 30, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 644,352	553,736	1.16
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 644,352	553,736	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	4,423	
Employee restricted stock		1,014	
Convertible preferred stock	-	180,180	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 644,352	739,353	\$ 0.87
Six months ended June 30, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 266,029)	\$ 552,329	(\$ 0.48)

(32) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Six months ended June 30	
	2021	2020
Purchase of property, plant and equipment	\$ 475,512	\$ 284,588
(Decrease) increase in prepayments for business facilities	(97,717)	7,682
Add: Opening balance of payable on equipment	87,975	147,286
Less: Ending balance of payable on equipment	(175,654)	(136,153)
Cash paid during the period	<u>\$ 290,116</u>	<u>\$ 303,403</u>

B. Investing and financing activities with no cash flow effects :

	Six months ended June 30	
	2021	2020
Prepayments for business facilities transferred to prepayments	<u>\$ 21,143</u>	<u>\$ -</u>
Prepayments for business facilities transferred to property, plant and equipment	<u>\$ 302,111</u>	<u>\$ 106,927</u>
Prepayments for business facilities transferred to intangible assets	<u>\$ 6,310</u>	<u>\$ 7,210</u>
Long-term borrowings, current portion	<u>\$ -</u>	<u>\$ 885,310</u>
Cash dividends declared but not yet received	<u>\$ 12,947</u>	<u>\$ 21,578</u>
Cash dividends declared but not yet distributed	<u>\$ -</u>	<u>\$ 82,849</u>

(33) Changes in liabilities from financing activities

			Changes in foreign		June 30, 2021
	January 1, 2021	Cash flows	exchange rate	Others	
Short-term borrowings	\$ 1,106,413	(\$ 348,334)	(\$ 105)	\$ -	\$ 757,974
Long-term borrowings	866,446	(566,446)	-	-	300,000
Lease liabilities	236,984	(10,790)	(6,154)	799	220,839
Guarantee deposits received	3,519	-	(1)	-	3,518
Preference share liabilities	1,006,485	-	-	(682)	1,005,803

			Changes in foreign		June 30, 2020
	January 1, 2020	Cash flows	exchange rate	Others	
Short-term borrowings	\$ 2,373,766	\$ 69,097	\$ -	\$ 92	\$ 2,442,955
Short-term notes and bills payable	379,210	(179,323)	-	-	199,887
Long-term borrowings	2,095,326	(237,752)	-	3,169	1,860,743
Lease liabilities	244,406	(13,652)	(1,527)	22,959	252,186
Guarantee deposits received	3,568	(53)	-	-	3,515

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
ATP Electronics Taiwan Inc. (ATP)	Associate
Infofab, Inc. (Infofab)	Associate (Note 1)
OSE Properties, Inc. (Properties)	Associate
Chipbond Technology Corporation (Chipbond)	Entity with significant influence to the Group (Note 2)
OAE Technology, Inc. (OAE) (Formerly 「Actiontec Electronics, Inc.」)	Other related party (Note 3)
Screenbeam, Inc. (Screenbeam)	Other related party (Note 3)
Infoaction Technology, Inc. (Infoaction)	Other related party (Note 3)
Golfware Inc.	Other related party (Note 3)
Phison Electronics Corp. (Phison)	Key management personnel

Note 1: The Group sold all its equity interests in Infofab on June 23, 2021; therefore, it was no longer the Group's associate.

Note 2: Chipbond acquired 29.44% equity interest in the Company on December 30, 2020, and was the company's associate.

Note 3: The Company's chairman was no longer the company's director (chairman) since October 16, 2020, therefore, the company was no longer the Company's associate.

(2) Significant related party transactions

A. Sales

	<u>Three months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Phison	\$ 627,416	\$ 398,051
ATP	38,276	29,525
Entities with significant influence to the Group	360	-
Other related parties	-	2,617
	<u>\$ 666,052</u>	<u>\$ 430,193</u>
	<u>Six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Phison	\$ 1,137,775	\$ 893,721
ATP	66,786	92,512
Entities with significant influence to the Group	360	-
Other related parties	-	5,089
	<u>\$ 1,204,921</u>	<u>\$ 991,322</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection term is available to third parties.

B. Purchases:

	Three months ended June 30	
	2021	2020
Key management personnel of the Group	\$ 203	\$ -
Entities with significant influence to the Group	5	-
Associates	13	73
Other related parties	-	365
	<u>\$ 221</u>	<u>\$ 438</u>
	Six months ended June 30	
	2021	2020
Key management personnel of the Group	\$ 203	\$ -
Entities with significant influence to the Group	37	73
Associates	13	-
Other related parties	-	1,815
	<u>\$ 253</u>	<u>\$ 1,888</u>

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment term is available to third parties.

C. Receivables from related parties:

	June 30, 2021	December 31, 2020	June 30, 2020
Accounts receivable:			
Phison	\$ 292,072	\$ 208,278	\$ 142,247
ATP	32,464	21,643	21,555
Entities with significant influence to the Group	378	-	-
Other related parties	-	-	2,577
	<u>\$ 324,914</u>	<u>\$ 229,921</u>	<u>\$ 166,379</u>
Other receivables:			
Properties	\$ 46,175	\$ 46,085	\$ 46,845
Other related parties	-	-	5
Associate	13,224	1,293	13,427
Key management personnel of the Group	-	176	105
	<u>\$ 59,399</u>	<u>\$ 47,554</u>	<u>\$ 60,382</u>

Receivables from related parties mainly arose from sales, leases, cash dividends and interest income from borrowings. The terms for receivables from sales are 30~60 days after delivery or 30 days after monthly billings. The receivables are unsecured in nature and bear no interest.

D. Payables to related parties:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Accounts payable:			
Infofab	\$ -	\$ 1,268	\$ 5,469
Key management personnel of the Group	187	265	9
Entities with significant influence to the Group	5	933	-
Associate	-	20	-
Other related parties	-	-	97
	<u>\$ 192</u>	<u>\$ 2,486</u>	<u>\$ 5,575</u>
Other payables:			
Infofab	\$ 8,710	\$ -	\$ -
Entities with significant influence to the Group	10,520	603	-
	<u>\$ 19,230</u>	<u>\$ 603</u>	<u>\$ -</u>

Payables to related parties pertain to purchase of materials, computer software, data maintenance and service fees, purchase of equipment and dividends on preference share liabilities. The payment terms are 150 days after acceptance, 30 days after monthly billings and 60 days after delivery. The payables bear no interest.

E. Property transactions:

(a) Disposal of property, plant and equipment:

	<u>Three months ended June 30, 2021</u>	
	<u>Disposal proceeds</u>	<u>Gain on disposal</u>
Entities with significant influence to the Group	<u>\$ -</u>	<u>\$ -</u>
	<u>Six months ended June 30, 2021</u>	
	<u>2021</u>	<u>2020</u>
	<u>Disposal proceeds</u>	<u>Gain on disposal</u>
Entities with significant influence to the Group	<u>\$ 160</u>	<u>\$ 160</u>

There was no such transaction for the three months and six months ended June 30, 2020.

(b) Acquisition of intangible assets:

	<u>Three months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Infofab	<u>\$ -</u>	<u>\$ 5,200</u>

	Six months ended June 30	
	2021	2020
Infofab	\$ 6,311	\$ 12,223

F. Lease transactions — lessee

- (a) The Group leased land from OSE Properties, Inc. Rental contracts are typically made for periods from 1999 to 2049 and the rental is payable monthly based on mutual agreements.

On January 1, 2019 (the date of initial application of IFRS 16), the Group increased right-of-use assets by \$70,488.

(b) Lease liabilities

i. Outstanding balance:

	June 30, 2021	December 31, 2020	June 30, 2020
Lease liabilities-current	\$ 1,557	\$ 1,574	\$ 1,619
Lease liabilities-non-current	58,625	60,730	64,006
	<u>\$ 60,182</u>	<u>\$ 62,304</u>	<u>\$ 65,625</u>

ii. Interest expense

	Three months ended June 30	
	2021	2020
Properties	\$ 338	\$ 370

	Six months ended June 30	
	2021	2020
Properties	<u>\$ 685</u>	<u>\$ 749</u>

G. Lease transactions — lessor

	Three months ended June 30	
	2021	2020
Rental income:		
ATP	\$ 1,065	\$ 1,064
Infofab	526	735
Entities with significant influence to the Group	-	-
Other related parties	-	10
	<u>\$ 1,591</u>	<u>\$ 1,809</u>

	Six months ended June 30	
	2021	2020
Rental income:		
ATP	\$ 2,129	\$ 2,129
Infotab	1,052	1,470
Entities with significant influence to the Group	368	-
Other related parties	-	21
	<u>\$ 3,549</u>	<u>\$ 3,620</u>

Plant, office and equipment were leased under mutual agreement, and the collection term is available to third parties.

H. Loans to/from related parties:

Loans to Properties:

(a) Long-term accounts receivable to related parties

	June 30, 2021	December 31, 2020	June 30, 2020
Outstanding balance:	<u>\$ 86,428</u>	<u>\$ 88,352</u>	<u>\$ 91,919</u>

	Three months ended June 30	
	2021	2020
Interest income	<u>\$ 321</u>	<u>\$ 575</u>
	Six months ended June 30	
	2021	2020
Interest income	<u>\$ 872</u>	<u>\$ 1,162</u>

As of June 30, 2021, December 31, 2020 and June 30, 2020, interest income recognised in other receivables amounted to \$46,175, \$46,085 and \$46,845, respectively. For the six months ended June 30, 2021 and 2020, interest income was collected at 2% and 2.5% per annum, respectively.

(b) The Group's subsidiary, OSE Philippines, Inc. lent US\$4,387 thousand to the associate, Properties, on July 31, 1996, principal and interest are paid after disposal of properties, and the Group has first mortgage right under mutual agreement. In the first quarter of 2015, Properties repaid US\$1,285 thousand due to disposal of certain land. As of June 30, 2021, unsettled borrowings amounted to US\$3,102 thousand.

(3) Key management compensation

	Three months ended June 30	
	2021	2020
Salaries and other short-term employee benefits	\$ 12,406	\$ 9,520
Post-employment benefits	135	216
Share-based payment	132	809
	<u>\$ 12,673</u>	<u>\$ 10,545</u>

	Six months ended June 30	
	2021	2020
Salaries and other short-term employee benefits	\$ 21,654	\$ 19,550
Post-employment benefits	243	459
Share-based payment	263	1,874
	<u>\$ 22,160</u>	<u>\$ 21,883</u>

8. Pledged Assets

Pledged asset	Book value			Purpose
	June 30, 2021	December 31, 2020	June 30, 2020	
Current financial assets at amortised cost - time deposits	\$ 9,751	\$ -	\$ -	Short-term borrowings
Other current financial assets - time deposits	-	6,550	3,555	Short-term borrowings
Other current financial assets - deposits reserved for repayment	-	20,005	67,025	Long-term and short-term borrowings
Investments accounted for using the equity method - ATP	-	-	384,027	Short-term borrowings
Property, plant and equipment				
- Buildings and structures	814,538	828,872	843,922	Long-term and short-term borrowings
- Machinery and equipment	685,763	1,445,936	1,815,333	Long-term and short-term borrowings
- Leased assets - buildings and structures	-	3,130	-	Long-term borrowings
Guarantee deposits paid - time deposits	145,300	145,300	131,500	Customs guarantee or others
	<u>\$ 1,655,352</u>	<u>\$ 2,449,793</u>	<u>\$ 3,245,362</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

- A. As of June 30, 2021, December 31, 2020 and June 30, 2020, 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.
- B. As of June 30, 2021, December 31, 2020 and June 30, 2020, the Company issued promissory notes of \$5,501,296 \$4,745,928 and \$6,811,418, respectively, as guarantees for bank loans.
- C. As of June 30, 2021, December 31, 2020 and June 30, 2020, the Company issued promissory notes of \$33,264, \$15,108 and \$1,428, respectively, as guarantees for payments of raw materials and machineries purchased.

D. As of June 30, 2021, December 31, 2020 and June 30, 2020, the Group had letters of credit issued but not used amounting to US\$776 thousand, US\$480 thousand and US\$182 thousand, respectively.

E. The Company has acted as a subcontractor for processing electronic products and provided storage services for domestic and foreign electronic companies. The processed electronic products and raw materials are as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Electronic products	\$ 13,709,324	\$ 10,162,827	\$ 15,998,612
Electronic components	<u>713,054</u>	<u>466,664</u>	<u>621,737</u>
	<u>\$ 14,422,378</u>	<u>\$ 10,629,491</u>	<u>\$ 16,620,349</u>

F. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Property, plant and equipment	<u>\$ 1,096,661</u>	<u>\$ 138,803</u>	<u>\$ 15,319</u>

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

A. On July 15, 2021, the shareholders of the Company at their meeting resolved the 2020 deficit compensation. Refer to Note 6(22) for details.

B. On July 29, 2021, the Board of Directors of the Company resolved not to distribute earnings in the second quarter of 2021. Refer to Note 6(22) for details.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During the six months ended June 30, 2021, the Group's strategy, which was unchanged from 2020, was to balance overall capital structure. As of June 30, 2021, December 31, 2020 and June 30, 2020, the Group's gearing ratio is as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Total liabilities	<u>\$ 7,078,876</u>	<u>\$ 6,908,981</u>	<u>\$ 9,140,396</u>
Total assets	<u>\$ 15,315,779</u>	<u>\$ 14,511,749</u>	<u>\$ 14,871,252</u>
Gearing ratio	<u>46%</u>	<u>48%</u>	<u>61%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 5,225</u>	<u>\$ 6,486</u>	<u>\$ -</u>
Financial assets measured at fair value through other comprehensive income			
Designation of equity instrument	<u>\$ 270,230</u>	<u>\$ 107,232</u>	<u>\$ 226,860</u>
Financial assets at amortised cost			
Cash and cash equivalents (excluding cash on hand)	\$ 1,807,261	\$ 1,845,437	\$ 1,232,227
Financial assets at amortised cost	110,164	131,045	136,306
Notes receivable	-	852	655
Accounts receivable (including related parties)	3,236,932	2,440,177	2,448,590
Other receivables (including related parties)	86,209	78,304	79,011
Other current financial assets	-	26,555	70,580
Guarantee deposits paid	167,643	167,650	156,722
Long-term accounts receivable due from related parties	<u>86,428</u>	<u>88,352</u>	<u>91,919</u>
	<u>\$ 5,494,637</u>	<u>\$ 4,778,372</u>	<u>\$ 4,216,010</u>
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 757,974	\$ 1,106,413	\$ 2,442,955
Short-term notes and bills payable	-	-	199,887
Notes payable	47,710	14,608	19,125
Accounts payable (including related parties)	3,084,520	2,307,753	3,001,589
Other payables (including related parties)	1,028,412	776,920	827,318
Long-term borrowings (including current portion)	300,000	866,446	1,860,743
Preference share liability	<u>1,005,803</u>	<u>1,006,485</u>	<u>-</u>
	<u>\$ 6,224,419</u>	<u>\$ 6,078,625</u>	<u>\$ 8,351,617</u>
Lease liability (including current and non-current)	<u>\$ 220,839</u>	<u>\$ 236,984</u>	<u>\$ 252,186</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) The Group has established appropriate policies, procedures and internal controls in accordance with the relevant regulations to manage the aforementioned financial risks. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on the relevant regulations and internal control procedures. The Group complies with its financial risk management policies at all times.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange rate risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations.
- ii. The Group's management hedges foreign exchange risk through natural hedges or derivative financial instruments (including forward foreign exchange contracts) to prevent decreases in value of assets denominated in foreign currencies and fluctuations in future cash flows. The use of these derivative financial instruments assists in decreasing the effect of foreign currency fluctuations but cannot eliminate the impact entirely. The Group's purpose to hold certain investments in foreign operations is for strategic investments; thus, the Group does not hedge those investments.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

June 30, 2021						
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 135,706	27.86	\$ 3,780,769	1%	\$ 37,808	\$ -
JPY:NTD	288,429	0.2521	72,713	1%	727	-
<u>Non-monetary items</u>						
USD:NTD	18,591	27.86	517,957	1%	-	5,180
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	73,741	27.86	2,054,424	1%	20,544	-
JPY:NTD	297,328	0.2521	74,956	1%	750	-
December 31, 2020						
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 110,037	28.48	\$ 3,133,854	1%	\$ 31,339	\$ -
JPY:NTD	96,160	0.2766	26,598	1%	266	-
<u>Non-monetary items</u>						
USD:NTD	3,765	28.48	107,227	1%	-	1,072
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	54,019	28.48	1,538,461	1%	15,385	-
JPY:NTD	553,061	0.2766	152,977	1%	1,530	-

	June 30, 2020					
	Foreign currency amount		Book value	Sensitivity analysis		
	(In thousands)	Exchange rate	(NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	\$ 122,504	29.63	\$ 3,629,794	1%	\$ 36,298	\$ -
JPY:NTD	218,205	0.2753	60,072	1%	601	-
Non-monetary items						
USD:NTD	7,542	29.63	223,469	1%	-	2,235
Financial liabilities						
Monetary items						
USD:NTD	85,849	29.63	2,543,706	1%	25,437	-
JPY:NTD	360,428	0.2753	99,226	1%	992	-

- iv. The total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2021 and 2020 amounted to \$35,563, \$19,856, \$42,674 and \$4,891, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.
- ii. The Group's investments in equity securities comprise shares issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the six months ended June 30, 2021 and 2020 would have increased/decreased by \$2,702 and \$2,269, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Interest rate risk

The Group's long-term borrowings are floating-rate debts; therefore, the effective interest rate of its long-term borrowings will vary according to changes in market interest rates. If the market interest rate had increased/decreased by 25 basis points with all other variables held constant, post-tax profit for the six months ended June 30, 2021 and 2020 would have increased/decreased by \$600 and \$3,721, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the counterparties of financial instruments on the contract obligations. The Group is exposed to credit risk from its operating activities (mainly accounts receivable and notes receivable) and from its financing activities (mainly bank deposits and various financial instruments). The maximum exposure to aforementioned credit risk was the carrying amount of financial assets recognised in the consolidated balance sheet.
- ii. Customer credit risk is managed by each business unit in accordance with the Group's policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

- iii. As of June 30, 2021, December 31, 2020 and June 30, 2020, the amounts of accounts and notes receivable from top ten customers constitute 81%, 82% and 81%, respectively, of the Group's total accounts and notes receivable. The credit concentration risk of the remaining accounts and notes receivable is immaterial.
- iv. The Group's treasury manages the credit risks of bank deposits and other financial instruments based on the Group's credit policy. Because the Group's counterparties are determined based on the Group's internal control, only banks and companies with good credit rating and with no significant default risk are accepted. Consequently, there is no significant credit risk.
- v. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 90 days.
- vi. The Group classifies customer's contract assets and notes and accounts receivable in accordance with credit rating of customer, geographic area and industry sector. The Group applies the simplified approach using a provision matrix to estimate the expected credit loss.
- vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On June 30, 2021, December 31, 2020 and June 30, 2020, the provision matrix classified by customers is as follows:

<u>June 30, 2021</u>		<u>Overdue</u>					
	<u>Not past due</u>	<u>Up to 30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 180 days</u>	<u>Over 180 days</u>	<u>Total</u>
IC semiconductor group							
Gross carrying amount (Note)	\$ 2,429,201	\$ 169,809	\$ 12,059	\$ 6,205	\$ 83	\$ 1,911	\$ 2,619,268
Lifetime expected credit losses	(3,177)	(1,404)	(1,231)	(11)	(20)	(1,911)	(7,754)
Carrying amount	<u>\$ 2,426,024</u>	<u>\$ 168,405</u>	<u>\$ 10,828</u>	<u>\$ 6,194</u>	<u>\$ 63</u>	<u>\$ -</u>	<u>\$ 2,611,514</u>
Loss ratio	0% ~ 0.29%	0% ~ 0.266%	0% ~ 19.84%	0% ~ 26.81%	0% ~ 44.83%	100%	
		<u>Overdue</u>					
	<u>Not past due</u>	<u>Up to 30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 180 days</u>	<u>Over 180 days</u>	<u>Total</u>
Electronics manufacturing services group							
Gross carrying amount	\$ 902,518	\$ 39,595	\$ 15,317	\$ 18	\$ -	\$ 120	\$ 957,568
Lifetime expected credit losses	-	(15)	-	-	-	(120)	(135)
Carrying amount	<u>\$ 902,518</u>	<u>\$ 39,580</u>	<u>\$ 15,317</u>	<u>\$ 18</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 957,433</u>
Loss ratio	0%	0% ~ 0.1%	0% ~ 2.19%	0% ~ 4.38%	17.98% ~ 25%	100%	
<u>December 31, 2020</u>		<u>Overdue</u>					
	<u>Not past due</u>	<u>Up to 30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 180 days</u>	<u>Over 180 days</u>	<u>Total</u>
IC semiconductor group							
Gross carrying amount (Note)	\$ 1,840,697	\$ 190,670	\$ 23,678	\$ -	\$ -	\$ 1,911	\$ 2,056,956
Lifetime expected credit losses	(5,639)	(7,028)	(5,822)	-	-	(1,911)	(20,400)
Carrying amount	<u>\$ 1,835,058</u>	<u>\$ 183,642</u>	<u>\$ 17,856</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,036,556</u>
Loss ratio	0% ~ 0.66%	0% ~ 3.7%	24.59%	50.49%	67.48%	100%	
		<u>Overdue</u>					
	<u>Not past due</u>	<u>Up to 30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 180 days</u>	<u>Over 180 days</u>	<u>Total</u>
Electronics manufacturing services group							
Gross carrying amount	\$ 685,695	\$ 15,874	\$ 8,707	\$ -	\$ 86	\$ 170	\$ 710,532
Lifetime expected credit losses	(264)	(116)	(635)	-	(49)	(170)	(1,234)
Carrying amount	<u>\$ 685,431</u>	<u>\$ 15,758</u>	<u>\$ 8,072</u>	<u>\$ -</u>	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ 709,298</u>
Loss ratio	0% ~ 0.04%	0.03% ~ 1.20%	7.13% ~ 7.34%	8.69% ~ 17.58%	35.49% ~ 57.28%	100%	

June 30, 2020		Overdue					
	Not past due	Up to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
IC semiconductor group							
Gross carrying amount (Note)	\$ 1,104,672	\$ 127,161	\$ 69,545	\$ 21,044	\$ 5,880	\$ 8,860	\$ 1,337,162
Lifetime expected credit losses	(2,645)	(3,740)	(15,650)	(11,063)	(4,783)	(8,860)	(46,741)
Carrying amount	\$ 1,102,027	\$ 123,421	\$ 53,895	\$ 9,981	\$ 1,097	\$ -	\$ 1,290,421
Loss ratio	0% ~ 0.56%	0% ~ 3%	0% ~ 22.53%	52.57%	81.35%	100%	
		Overdue					
	Not past due	Up to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
Electronics manufacturing services group							
Gross carrying amount	\$ 1,314,620	\$ 19,090	\$ 11,364	\$ 204	\$ 499	\$ 135	\$ 1,345,912
Lifetime expected credit losses	(502)	(193)	(677)	(27)	(150)	(135)	(1,684)
Carrying amount	\$ 1,314,118	\$ 18,897	\$ 10,687	\$ 177	\$ 349	\$ -	\$ 1,344,228
Loss ratio	0% ~ 0.04%	0% ~ 1.10%	4.93% ~ 7.34%	9.58% ~ 13.20%	20.93% ~ 57.28%	100%	

Note: Including the total amount of current contract assets, notes and accounts receivable.

viii. Movements in relation to the Group applying the modified approach to provide loss allowance for contract assets, notes and accounts receivable are as follows:

	2021	2020
	Accounts receivable	Accounts receivable
At January 1	\$ 21,634	\$ 26,267
Provision for impairment	-	22,165
Reversal of impairment loss	(13,736)	-
Effect of foreign exchange	(9)	(7)
At June 30	\$ 7,889	\$ 48,425

For provisioned loss for the six months ended June 30, 2021 and 2020, there were no impairment losses arising from the contract assets and notes receivable.

(c) Liquidity risk

- The Group's objective on liquidity risk management is to ensure the sufficiency of financial flexibility by maintaining cash and bank deposits for operations and adequate bank financing quota.
- The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<u>Less than 1 year</u>	<u>Between 2 and 3 years</u>	<u>Between 4 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>June 30, 2021</u>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 764,162	\$ -	\$ -	\$ -	\$ 764,162
Notes payable	47,710	-	-	-	47,710
Accounts payable					
(including related parties)	3,084,520	-	-	-	3,084,520
Other payables					
(including related parties)	1,028,412	-	-	-	1,028,412
Long-term borrowings					
(including current portion)	3,150	306,300	-	-	309,450
Preference share liabilities	20,000	40,054	1,029,423	-	1,089,477
Lease liabilities	27,850	38,871	34,750	178,431	279,902
	<u>Less than 1 year</u>	<u>Between 2 and 3 years</u>	<u>Between 4 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>December 31, 2020</u>					
Non-derivative financial liabilities:					
Short-term borrowings	\$1,107,055	\$ -	\$ -	\$ -	\$1,107,055
Notes payable	14,608	-	-	-	14,608
Accounts payable					
(including related parties)	2,307,753	-	-	-	2,307,753
Other payables					
(including related parties)	776,920	-	-	-	776,920
Long-term borrowings					
(including current portion)	246,917	620,000	-	-	866,917
Preference share liabilities	603	40,000	40,000	1,019,451	1,100,054
Lease liabilities	31,588	43,960	35,318	188,305	299,171
	<u>Less than 1 year</u>	<u>Between 2 and 3 years</u>	<u>Between 4 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>June 30, 2020</u>					
Non-derivative financial liabilities:					
Short-term borrowings	\$2,444,380	\$ -	\$ -	\$ -	\$2,444,380
Notes payable	19,125	-	-	-	19,125
Accounts payable					
(including related parties)	3,001,589	-	-	-	3,001,589
Other payables					
(including related parties)	827,318	-	-	-	827,318
Long-term borrowings					
(including current portion)	886,103	975,433	-	-	1,861,536
Lease liabilities	31,869	50,871	35,556	200,007	318,303

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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.

B. Fair value information of investment property at cost is provided in Note 6(11).

C. Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, current financial assets at amortised cost, accounts receivable (including related parties), other receivables (including related parties), guarantee deposits paid, long-term accounts receivable due from related parties, short-term borrowings, accounts payable (including related parties), other payables (including related parties), lease liabilities, preference share liabilities, long-term borrowings (including current portion) and guarantee deposits received, are approximate to their fair values.

D. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets at June 30, 2021, December 31, 2020 and June 30, 2020 are as follows:

(a) The related information of nature of the asset and liabilities is as follows:

<u>June 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Preference share liabilities returned	\$ -	\$ -	\$ 5,225	\$ 5,225
Financial assets at fair value through other comprehensive income				
Equity securities	<u>178,560</u>	<u>18,858</u>	<u>72,812</u>	<u>270,230</u>
	<u>\$ 178,560</u>	<u>\$ 18,858</u>	<u>\$ 78,037</u>	<u>\$ 275,455</u>

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Preference share liabilities returned	\$ -	\$ -	\$ 6,486	\$ 6,486
Financial assets at fair value through other comprehensive income				
Equity securities	-	18,858	88,374	107,232
	<u>\$ -</u>	<u>\$ 18,858</u>	<u>\$ 94,860</u>	<u>\$ 113,718</u>

<u>June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 226,860	\$ 226,860

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The fair value of equity instruments without active market (such as unlisted shares) was measured by applying a market approach based on the prices and other relevant information (such as the discount for lack of marketability and inputs like price to earnings ratio or price to book ratio) arising from the market transactions of the Company's same or comparable equity instruments. Additionally, for equity instruments that lack sufficient or appropriate observable market information and comparable counterparties, net asset value is used to measure the profitability of underlying investments.
- ii. The fair value of derivative financial instrument options that do not have a quoted market price in an active market was measured by applying a binary tree valuation model.
- iii. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)I.

E. For the six months ended June 30, 2021 and 2020, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the six months ended June 30, 2021 and 2020:

		2021	
		Derivative instrument	Non-derivative equity instrument
At January 1	\$	6,486	\$ 88,374
Losses recognised in profit or loss	(	1,261)	-
Losses recognised in other comprehensive income		-	(15,562)
At June 30	\$	5,225	\$ 72,812

		2020	
		Non-derivative equity instrument	
At January 1 (June 30)	\$	226,860	

G. For the six months ended June 30, 2021 and 2020, there was no transfer into or out from Level 3.

H. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to frequently evaluate and measure fair value of financial instruments.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at June 30, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative instrument:					
Preference share liabilities returned	\$ 5,225	Binary tree convertible valuation model	Discount rate	1.7641%	The higher the discount rate, the lower the fair value.
Non-derivative equity instrument:					
Unlisted shares	\$ 72,812	Net assets value	N/A	N/A	N/A
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative instrument:					
Preference share liabilities returned	\$ 6,486	Binary tree convertible valuation model	Discount rate	1.6972%	The higher the discount rate, the lower the fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 88,374	Market approach – price-to-earnings ratio/price-to-book ratio	Discount for lack of marketability	20% ~ 25%	The higher the discount for lack of marketability, the lower the fair value.

	Fair value at June 30, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 226,860	Market approach — price-to-earnings ratio/price-to-book ratio and income approach	Discount for lack of marketability and discount rate	11.59% ~ 25.06%	The higher the discount for lack of marketability, the lower the fair value; the higher the discount rate, the lower the fair value.

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorised within Level 3 if the inputs used to valuation models have changed:

		June 30, 2021					
				Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
<u>Financial assets</u>							
Preference share liabilities returned	Discount rate	±1%	\$ 5,225	\$ 18,108	\$ -	\$ -	
		December 31, 2020					
				Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
<u>Financial assets</u>							
Preference share liabilities returned	Discount rate		\$ 5,225	\$ 18,108	\$ -	\$ -	
Equity instrument	Discount for lack of marketability	±1%	\$ -	\$ -	\$ 997	\$ 997	
		June 30, 2020					
				Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
<u>Financial assets</u>							
Equity instrument	Discount for lack of marketability	±1%	\$ -	\$ -	\$ 2,341	\$ 2,341	

13. Supplementary Disclosures

(1) Significant transactions information

- Loans to others: Please refer to table 1.
- Provision of endorsements and guarantees to others: Please refer to table 2.
- Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in

capital or more: Please refer to table 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Names, number of shares and ownership of the Company's shareholders who hold more than 5% of equity share: Please refer to Note 9.

14. Segment Information

(1) General information

For management purpose, the Group separated operating units based on business which operates individually from the main business in each region. The Group was divided into the following two reportable segments:

A. IC semiconductor group: This segment mainly provides IC packaging and testing services.

B. Electronics manufacturing services group: This segment provides professional electronics manufacturing services.

(2) Segment information

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, finance costs, finance income and income taxes in the consolidated financial statements are managed on a group basis and are not allocated to operating segments.

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Three months ended June 30, 2021					
	IC semiconductor group	Electronics manufacturing services group	All other segments	Reconciliation and write-offs (Notes 1 and 2)	Total
Revenue					
Revenue from external customers	\$ 3,058,491	\$ 1,089,880	\$ -	\$ -	\$ 4,148,371
Inter-segment revenue	(8)	23,130	-	(23,122)	-
Total revenue	<u>\$ 3,058,483</u>	<u>\$ 1,113,010</u>	<u>\$ -</u>	<u>(\$ 23,122)</u>	<u>\$ 4,148,371</u>
Segment income	<u>\$ 517,258</u>	<u>\$ 4,139</u>	<u>\$ 3,641</u>	<u>\$ 7,707</u>	<u>\$ 532,745</u>
Three months ended June 30, 2020					
	IC semiconductor group	Electronics manufacturing services group	All other segments	Reconciliation and write-offs (Notes 1 and 2)	Total
Revenue					
Revenue from external customers	\$ 1,567,658	\$ 1,932,271	\$ -	\$ -	\$ 3,499,929
Inter-segment revenue	15,722	142,417	-	(158,139)	-
Total revenue	<u>\$ 1,583,380</u>	<u>\$ 2,074,688</u>	<u>\$ -</u>	<u>(\$ 158,139)</u>	<u>\$ 3,499,929</u>
Segment income (loss)	<u>(\$ 306,626)</u>	<u>(\$ 18,111)</u>	<u>\$ 4,441</u>	<u>(\$ 2,556)</u>	<u>(\$ 322,852)</u>
Six months ended June 30, 2021					
	IC semiconductor group	Electronics manufacturing services group	All other segments	Reconciliation and write-offs (Notes 1 and 2)	Total
Revenue					
Revenue from external customers	\$ 5,713,944	\$ 2,223,323	\$ -	\$ -	\$ 7,937,267
Inter-segment revenue	765	57,700	-	(58,465)	-
Total revenue	<u>\$ 5,714,709</u>	<u>\$ 2,281,023</u>	<u>\$ -</u>	<u>(\$ 58,465)</u>	<u>\$ 7,937,267</u>
Segment income (loss)	<u>\$ 796,791</u>	<u>(\$ 12,512)</u>	<u>\$ 3,596</u>	<u>\$ 26,295</u>	<u>\$ 814,170</u>
Six months ended June 30, 2020					
	IC semiconductor group	Electronics manufacturing services group	All other segments	Reconciliation and write-offs (Notes 1 and 2)	Total
Revenue					
Revenue from external customers	\$ 3,695,550	\$ 3,446,912	\$ -	\$ -	\$ 7,142,462
Inter-segment revenue	31,703	181,945	-	(213,648)	-
Total revenue	<u>\$ 3,727,253</u>	<u>\$ 3,628,857</u>	<u>\$ -</u>	<u>(\$ 213,648)</u>	<u>\$ 7,142,462</u>
Segment income (loss)	<u>(\$ 352,777)</u>	<u>\$ 27,002</u>	<u>\$ 7,582</u>	<u>\$ 5,849</u>	<u>(\$ 312,344)</u>

Note 1: Inter-segment revenue has been written-off when preparing the consolidated financial statements.

Note 2: Income or loss for each operating segment does not include income tax expense.

(3) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

Orient Semiconductor Electronics, Limited
Loans to others
Six months ended June 30, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the six months ended June 30, 2021	Balance at June 30, 2021	Actual amount drawn down	Interest rate range	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 1)	Footnote
														Item				Value
0	Orient Semiconductor Electronics,Limited	OSE PHILIPPINES, INC.	Long-term accounts receivables due from related parties	Y	\$ 723,555	\$ 632,314	\$ 547,545	1.80	Short-term financing	\$ -	Capital requirement of OSEP	\$ -	-	\$ -	\$ 2,471,070	\$ 3,294,761	-
1	OSE PHILIPPINES, INC.	OSE PROPERTIES, INC.	Long-term accounts receivables due from related parties	Y	86,428 (USD 3,102)	86,428 (USD 3,102)	86,428 (USD 3,102)	2.00	Short-term financing	-	Capital requirement	-	-	-	-	-	Note 2

Note 1: In accordance with the Company's "Procedures for Provision of Loans", limit on loans to others is 40% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.

However, loans to direct or indirect wholly-owned foreign subsidiaries of the Company are not limited. Limit on endorsements to a single party is 30% of the Company's net asset based on the latest audited or reviewed financial statements.

Note 2: OSE PROPERTIES, INC. disposed the idle land amounting to 18,380 square meters in the first quarter of 2015. The consideration from disposal, net of related expenses, should be used to settle the borrowings in the amount of US\$1,285 thousand loaned from OSEP, and reduced the loans from OSEP. OSE Properties, Inc. continually commissions real estate agency to sell/lease its properties, and the consideration from selling and leasing properties will be used to repay the borrowings to OSE Philippines Inc.

Orient Semiconductor Electronics, Limited
Provision of endorsements and guarantees to others
Six months ended June 30, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Endorser/guarantor	Party being endorsed/ guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of June 30, 2021	Outstanding endorsement/ guarantee amount at June 30, 2021	Actual amount drawn down	Amount of endorsements/guar antees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the Endorser/guarantor	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor											
0	Orient Semiconductor Electronics,Limited	COREPLUS (HK) LIMITED	Note 2	\$ 2,471,070	\$ 69,650 (USD 2,500)	\$ 69,650 (USD 2,500)	\$ 9,751 (USD 350)	\$ -	0.85	\$ 8,236,903	Y	N	N	-
0	Orient Semiconductor Electronics,Limited	OSE PHILIPPINES, INC.	Note 2	2,471,070	\$ 27,860 (USD 1,000)	\$ 27,860 (USD 1,000)	\$ 8,079 (USD 290)	\$ 27,860 (USD 1,000)	0.34	8,236,903	Y	N	N	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1)The Company is ‘0’.
(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

Note 3: Limit on total endorsements is the Company’s net asset based on the latest audited or reviewed financial statements, and limit on endorsements to a single party is 30% of the Company’s net asset based on the latest audited or reviewed financial statements.

Orient Semiconductor Electronics, Limited
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
June 30, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of June 30, 2021				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Orient Semiconductor Electronics,Limited	STRATEDGE's stocks-common shares	None	Financial assets at fair value through other comprehensive income- non-current	5,135	\$ -	-	\$ -	-
Orient Semiconductor Electronics,Limited	ACTIONTEC's stocks-common shares	None	Financial assets at fair value through other comprehensive income- non-current	2,141,176	8,984	-	8,984	-
Orient Semiconductor Electronics,Limited	ACTIONTEC's stocks-preference share	None	Financial assets at fair value through other comprehensive income- non-current	2,352,941	9,874	-	9,874	-
Orient Semiconductor Electronics,Limited	SPINERGY's stocks-common shares	None	Financial assets at fair value through other comprehensive income- non-current	999,641	-	-	-	-
Orient Semiconductor Electronics,Limited	Golfware's stocks-common shares	None	Financial assets at fair value through other comprehensive income- non-current	4,687	-	-	-	-
Orient Semiconductor Electronics,Limited	SCREENBEAM's stocks-common shares	None	Financial assets at fair value through other comprehensive income- non-current	2,141,176	16,745	-	16,745	-
Orient Semiconductor Electronics,Limited	SCREENBEAM's stocks-preference share	None	Financial assets at fair value through other comprehensive income- non-current	2,352,941	23,526	-	23,526	-
Orient Semiconductor Electronics,Limited	SPARQTRON's stocks-preference share	None	Financial assets at fair value through other comprehensive income- non-current	3,650,000	32,541	-	32,541	-
Valve-Plus Technology (Suzhou) Co.	Xiao Miao Technology (Hangzhou)-preference share	None	Financial assets at fair value through other comprehensive income- non-current	-	-	-	-	-
Hua-Cheng Investment Co.	Chipbond Technology Corporation	Entity with significant influence	Financial assets at fair value through other comprehensive income- non-current	2,480,000	178,560	-	178,560	-

Orient Semiconductor Electronics, Limited
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Six months ended June 30, 2021

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Orient Semiconductor Electronics,Limited	Phison Electronics Corp.	Legal person of the Company	Sales	\$ 1,137,775	14.33%	30 days after monthly billings	-	-	\$ 292,072	9.02%	-

Orient Semiconductor Electronics, Limited
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
June 30, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2021 (Note)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Orient Semiconductor Electronics,Limited	Phison Electronics Corp.	Key management personnel of the Company	Accounts receivable	\$ 292,072	9.76	-	-	-
OSE PHILIPPINES, INC.	OSE PROPERTIES, INC.	Associate of the Group	Other receivables	132,603	-	-	-	-

Note: OSE PHILIPPINES, INC.'s other receivables from OSE PROPERTIES, INC. recognised in other receivables and long-term accounts receivable due from related parties amounted to \$46,175 and \$86,428, respectively.

Orient Semiconductor Electronics, Limited
Significant inter-company transactions during the reporting periods
Six months ended June 30, 2021

Table 6

Transactions amount between the parent company and subsidiaries or between subsidiaries reaching \$10 million is provided below:

Expressed in thousands of NTD
(Except as otherwise indicated)

Transaction							
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	Orient Semiconductor Electronics,Limited	OSE PHILIPPINES, INC.	1	Long-term accounts receivable	\$ 556,334	-	3.63%
0	Orient Semiconductor Electronics,Limited	OSE INTERNATIONAL LIMITED	1	Other payables	78,141	-	0.51%
1	COREPLUS (HK) LIMITED	Orient Semiconductor Electronics,Limited	2	Sales revenue	57,700	Same with general transaction terms	0.74%
2	Valve-Plus Technology (Suzhou) Co.	COREPLUS (HK) LIMITED	3	Sales revenue	53,593	Same with general transaction terms	0.68%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Table 7

Orient Semiconductor Electronics, Limited
Information on investees
Six months ended June 30, 2021

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investor	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2021			Net profit (loss) of the investee for the six months ended June 30, 2021	Investment income (loss) recognised by the Company for the six months ended June 30, 2021	Footnote
				Balance as at June 30, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Orient Semiconductor Electronics, Limited	OSE PHILIPPINES, INC.	Philippines	(1)Manufacture and export of integrated circuits and computers	\$ 4,095,856 (USD 129,375,408)	\$ 4,095,856 (USD 129,375,408)	3,680,365	93.67%	(\$ 63,477)	(\$ 15,587)	(\$ 14,600)	Note 1
			(2) Research, design, manufacture, assembly, processing and test of abovementioned products and after-sales service								
Orient Semiconductor Electronics, Limited	OSE PROPERTIES, INC.	Philippines	(1) Sales of properties	8,381 (USD 305,559)	8,381 (USD 305,559)	7,998	39.99%	-	-	-	
			(2) Lease of properties								
Orient Semiconductor Electronics, Limited	OSE USA INC.	U.S.A	(3) Other property-related business			8,024	100%	2,585	(10,983)	(10,983)	Notes 1 and 2
			North American customer service	1,160,138 (USD 36,106,783)	1,160,138 (USD 36,106,783)						
Orient Semiconductor Electronics, Limited	OSE INTERNATIONAL Limited	British Virgin IS.	Investments of various manufacturing businesses	514,924 (USD 16,000,000)	514,924 (USD 16,000,000)	16,000,000	100%	285,506	2,466	2,466	Note 1
Orient Semiconductor Electronics, Limited	ATP Electronics Taiwan Inc.	Taiwan	Design and sales of RAM module of high Level Communication	329,616 (USD 10,301,492)	329,616 (USD 10,301,492)	7,518,750	9.57%	223,728	68,651	5,426	
Orient Semiconductor Electronics, Limited	OSE PROPERTIES, INC.	Taiwan	Enterprise management consultancy, enterprise management consultancy, data processing services, electronic information supply services, manpower dispatch	-	4,000	-	0.00%	-	(16,557)	(2,725)	Note 3
Orient Semiconductor Electronics, Limited	SCS HIGHIECH INC.	Taiwan	Manufacture of data storage and processing equipment and providing information software and data processing services	256,000	256,000	25,600,000	18.17%	-	-	-	Note 4
Orient Semiconductor Electronics, Limited	COREPLUS (HK) LIMITED	Hong Kong	Procure to order and components assembly outsourcing	238,221 (USD 7,500,000)	238,221 (USD 7,500,000)	7,500,000	100%	293,343	(2,008)	(2,008)	Note 1
Orient Semiconductor Electronics, Limited	HUA-CHENG INVESTMENT CO.	Taiwan	Reinvestments in various business	290,000	-	29,000,000	100%	295,449	(180)	(180)	Note 1
OSE INTERNATIONAL Limited	ATP Electronics Taiwan Inc.	Taiwan	Design and sales of RAM module of high Level Communication	334,320 (USD 12,000,000)	334,320 (USD 12,000,000)	6,866,250	8.74%	208,995	68,651	4,779	Note 5
OSE INTERNATIONAL Limited	OSE PHILIPPINES, INC.	Philippines	(1)Manufacture and export of integrated circuits and computers	139,300 (USD 5,000,000)	139,300 (USD 5,000,000)	248,660	6.33%	(4,290)	(15,587)	(987)	Notes 1 and 5
			(2) Research, design, manufacture, assembly, processing and test of abovementioned products and after-sales service								

Note 1: Inter-company transactions between companies within the Group are eliminated.

Note 2: The investee terminated its opeartion and implemented retirement as apporved by the Board of Directors on January 26, 2021, the related procedures is still in progress.

Note 3: The Company sold all of the ownership on June 23, 2021, and the related investment profits or losses were recognised based on unaudited finacial statements as of May 31, 2021.

Note 4: The investee was abolished on March 8, 2007.

Note 5: Initial investment amount of the reinvestee which use foreign currencies to prepare financial statements is translated to NTD at the spot rate at the period end.

Table 8

Orient Semiconductor Electronics, Limited

Information on investments in Mainland China

Six months ended June 30, 2021

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six months ended June 30, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2021	Net income of investee as of June 30, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2021 (Note 2)	Book value of investments in Mainland China as of June 30, 2021	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Valve-Plus Technology (Suzhou) Co.	Adhesive processing, plug-in welding processing and related test, combination processin of the surface of base plate of electronic g and sales of its products, and providing technique maintenance and after-sale service accordingly	153,735 (USD 5,388,522)	Investment and establishment in COREPLUS, and then reinvestment (2)	\$ 158,328	\$ -	\$ -	\$ 158,328	(\$ 20,550)	100%	(\$ 20,550)	\$ 72,964	\$ -	Note 4
ATP Electroics shanghai Inc.	Design and sales of RAM module of high Level Communication	9,986 (USD 350,000)	Reinvestments through ATP (2)	6,831	-	-	6,831	(1,248)	18.31%	(229)	8,694	-	Note 4

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA	Footnote
Orient Semiconductor Electronics,Limited	\$ 165,159	\$ 182,326	\$ 4,942,142	Note 3

Note 1: Investment methods are classified into the following three categories;

(1)Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: The amount of investment income (loss) recognised is the amount recognised in the financial statements of the investee that were not reviewed by independent auditors.

Note 3: Limit amount prescribed by the Jing-Shen-Zi Letter No. 09704604680 of Ministry of Economic Affairs, dated August 29, 2008, and is calculated based on 60% of the Company’s consolidated net assets.

Note 4: Paid-in capital was translated to NTD at the spot rate at the period end.

Orient Semiconductor Electronics, Limited

Major shareholders information

June 30, 2021

Table 9

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
Chipbond Technology Corporation	163,995,498	29.45%

Note: Chipbond Technology Corporation held the Company's common shares and class B and class C preferred shares without voting rights amounting to 163,995,498 shares, 90,090,000 shares and 180,180,000 shares, respectively, and totally held 434,265,498 shares.