

**ORIENT SEMICONDUCTOR  
ELECTRONICS LIMITED  
PARENT COMPANY ONLY FINANCIAL  
STATEMENTS AND INDEPENDENT AUDITORS’  
REPORT  
DECEMBER 31 2021 AND 2020**

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

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

### **Opinion**

We have audited the accompanying balance sheet of Orient Semiconductor Electronics, Ltd. (the "Company") as at December 31, 2021, and the related statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audit and the report of other auditors (please refer to the Other matter section), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2021 and its parent company only financial performance and its parent company only cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the report of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2021 parent company only financial statements are stated as follows:

### **Existence of sales revenue recognition of top 10 customers**

#### Description

Please refer to Note 4(31) for accounting policies on revenue recognition and Note 6(23) for details of operating revenue account.

The operating revenue of the Company mainly arises from customer contract income. The Company is primarily engaged in packaging and testing and electronic manufacturing service. Operating revenue is a main index which is used in assessment of the management's operating performance and is a concern to users of the report. Because the sales revenue of top 10 customers represents a higher proportion of the whole operating revenue, we considered the existence of sales revenue recognition of top 10 customers as a key audit matter in the current year.

#### How our audit addressed the matter

Our audit procedures performed included the following:

1. Understood, assessed and tested the design and execution of internal control procedures of top 10 customers' sales revenue recognition.
2. Obtained the details of top 10 customers' details of sales revenue and sampled customers' orders, delivery bills, invoices and collection records.
3. Examined the content and related evidences of sales returns and discounts to top 10 customers after the balance sheet date.
4. Sampled and sent confirmations to inquire on the balance of accounts receivable. Performed reconciliation and alternative audit procedures on the confirmation replies.

### **Realisability of deferred tax assets**

#### Description

Please refer to Note 4(29) of parent company only financial statements for details of accounting policies on the recognition of deferred income tax assets. As of December 31, 2021, the amount of the Company's deferred income tax assets was NTD 1,203,930 thousand, please refer to Note 6(30) of parent company only financial statements for details.

Deferred income tax assets can only be recognised in the scope of being used in possibly offsetting the taxable income in the future. The forecasted income statements which was used in the assessment of realisability of deferred income tax assets in the future and potential taxable income involved subjective judgment of management. We considered that the aforementioned judgment involved the forecast of subsequent years, and the assessment result is material to taxable income. Thus, we considered the realisability of deferred income tax assets as a key audit matter.

#### How our audit addressed the matter

Our audit procedures performed on the realisability of deferred income tax assets included the following:

1. Obtained future operating plan and forecasted income statements which were approved by management.
2. Examined the estimates in the forecasted income statements and compared that with historical result, and assessed the reasonableness of related assumptions which were adopted.
3. Compared taxable income in the future years with taxable loss in the past years and assessed the realisability of deferred income tax assets.

#### **Other matter-Reference to the audits of other auditors**

We did not audit the financial statements of certain investments accounted for using the equity method which were audited by other auditors. Therefore, our opinion expressed herein, in so far as it relates to the amounts included in respect of these investees is based solely on the reports of the other auditors. The credit balance of these investments accounted for using the equity method amounted to NTD 46,536 thousand, constituting 0.59% of the total liabilities as at December 31, 2021, and the comprehensive income of the investees amounted to NTD 2,158 thousand, constituting 0.16% of the total comprehensive income for the year then ended.

#### **Other matter-Prior financial statements were audited by other auditors**

The parent company only financial statements of the Company for the year ended December 31, 2020, were audited by other auditors. On March 10, 2021, some investees' financial statements which were included in the parent company only financial statements were audited by other auditors who expressed unmodified opinion with other matter paragraphs.

## **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

## **Auditors' responsibilities for the audit of the financial statements**

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the parent company only financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

WANG, KUO-HUA

CHIANG, TSAI-YEN

For and on behalf of PricewaterhouseCoopers, Taiwan

February 24, 2022

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

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**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 2,498,233	15	\$ 1,641,549	12
1136	Current financial assets at amortised cost	6(4) and 8	11,465	-	131,045	1
1140	Current contract assets	6(23)	296,090	2	304,825	2
1150	Notes receivable, net	6(5)	146	-	852	-
1170	Accounts receivable, net	6(5)	2,847,170	17	2,165,785	15
1180	Accounts receivable due from related parties, net	6(5) and 7	473,491	3	229,921	2
1200	Other receivables		55,489	-	26,444	-
1210	Other receivables due from related parties	7	15,492	-	22,621	-
130X	Current inventories	6(6)	1,655,024	10	1,017,582	7
1410	Prepayments		88,878	-	59,086	-
1460	Non-current assets or disposal groups classified as held for sale, net	6(12)	136,137	1	-	-
1476	Other current financial assets	8	-	-	26,555	-
1479	Other current assets, others		13,160	-	12,222	-
11XX	<b>Current assets</b>		<u>8,090,775</u>	<u>48</u>	<u>5,638,487</u>	<u>39</u>
<b>Non-current assets</b>						
1510	Non-current financial assets at fair value through profit or loss	6(2)	1,261	-	6,486	-
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	39,879	-	107,232	1
1550	Investments accounted for using equity method	6(7)	1,136,804	7	909,446	6
1600	Property, plant and equipment	6(8) and 8	5,349,052	32	5,246,877	37
1755	Right-of-use assets	6(9)	193,395	1	166,568	1
1780	Intangible assets	6(11) and 7	32,421	-	34,553	-
1840	Deferred tax assets	6(30)	1,203,930	7	1,549,088	11
1915	Prepayments for business facilities		167,490	1	107,304	1
1920	Guarantee deposits paid	8	133,479	1	147,340	1
1940	Long-term notes and accounts receivable due from related parties	7	518,507	3	476,298	3
1990	Other non-current assets, others		2,119	-	2,176	-
15XX	<b>Non-current assets</b>		<u>8,778,337</u>	<u>52</u>	<u>8,753,368</u>	<u>61</u>
1XXX	<b>Total assets</b>		<u>\$ 16,869,112</u>	<u>100</u>	<u>\$ 14,391,855</u>	<u>100</u>

(Continued)

**ORIENT SEMICONDUCTOR ELECTRONICS LIMITED**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Current borrowings	6(13) and 8	\$ 290,000	2	\$ 1,101,572	8
2110	Short-term notes and bills payable	6(14)	49,986	-	-	-
2130	Current contract liabilities	6(23)	88,151	1	25,365	-
2150	Notes payable		59,087	-	14,608	-
2170	Accounts payable		3,084,424	18	2,210,032	16
2180	Accounts payable to related parties	7	1,039	-	21,299	-
2200	Other payables	6(15)	1,585,528	10	716,115	5
2220	Other payables to related parties	7	20,602	-	603	-
2250	Current provisions		10,356	-	12,888	-
2280	Current lease liabilities		28,240	-	14,882	-
2320	Long-term liabilities, current portion	6(16) and 8	60,700	-	241,600	2
2365	Current refund liabilities		24,820	-	15,043	-
2399	Other current liabilities, others	7	244,009	2	190,314	1
21XX	<b>Current liabilities</b>		<u>5,546,942</u>	<u>33</u>	<u>4,564,321</u>	<u>32</u>
<b>Non-current liabilities</b>						
2540	Non-current portion of borrowings	6(16) and 8	587,694	4	620,000	4
2570	Deferred tax liabilities	6(30)	-	-	7,346	-
2580	Non-current lease liabilities		166,602	1	153,193	1
2635	Non-current preference share liabilities	6(18)	1,005,149	6	1,006,485	7
2640	Net defined benefit liability, non-current	6(17)	487,200	3	384,246	3
2645	Guarantee deposits received		56,924	-	3,424	-
2650	Credit balance of investments accounted for using equity method	6(7)	46,536	-	50,072	-
25XX	<b>Non-current liabilities</b>		<u>2,350,105</u>	<u>14</u>	<u>2,224,766</u>	<u>15</u>
2XXX	<b>Liabilities</b>		<u>7,897,047</u>	<u>47</u>	<u>6,789,087</u>	<u>47</u>
Equity attributable to owners of parent						
Share capital						
		6(19)(20)				
3110	Ordinary share		5,554,319	33	5,570,425	39
3120	Preference share		1,801,800	11	1,801,800	13
Capital surplus						
		6(21)				
3200	Capital surplus		234,897	1	220,723	1
Retained earnings						
		6(22)				
3310	Legal reserve		53,719	-	53,719	-
3320	Special reserve		106,988	1	18,730	-
3350	Unappropriated retained earnings		1,385,221	8	88,258	1
Other equity interest						
3400	Other equity interest		(164,879)	(1)	(150,887)	(1)
3XXX	<b>Total equity</b>		<u>8,972,065</u>	<u>53</u>	<u>7,602,768</u>	<u>53</u>
Significant contingent liabilities and unrecognised contract commitments						
3X2X	<b>Total liabilities and equity</b>	9	<u>\$ 16,869,112</u>	<u>100</u>	<u>\$ 14,391,855</u>	<u>100</u>

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

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share)

Items	Notes	Year ended December 31				
		2021		2020		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(23) and 7	\$ 15,670,942	100	\$ 13,567,698	100
5000	Operating costs	6(6)(11)(28)(29) and 7	( 12,756,989)	( 82)	( 12,900,897)	( 95)
5900	Gross profit from operations		<u>2,913,953</u>	<u>18</u>	<u>666,801</u>	<u>5</u>
	Operating expenses					
6100	Selling expenses	6(11)(28)(29)	( 707,908)	( 4)	( 528,340)	( 4)
6300	Research and development expenses		( 302,028)	( 2)	( 267,325)	( 2)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	<u>15,492</u>	<u>-</u>	<u>3,488</u>	<u>-</u>
6000	Operating expenses		( 994,444)	( 6)	( 792,177)	( 6)
6500	Net other income (expenses)		<u>-</u>	<u>-</u>	<u>1,015</u>	<u>-</u>
6900	Net operating income (loss)		<u>1,919,509</u>	<u>12</u>	<u>124,361</u>	<u>( 1)</u>
	Non-operating income and expenses					
7100	Interest income	6(24)	11,346	-	10,324	-
7010	Other income	6(25) and 7	65,617	-	72,328	1
7020	Other gains and losses	6(26)	( 50,132)	-	( 73,996)	( 1)
7050	Finance costs	6(27)	( 31,499)	-	( 73,906)	( 1)
7055	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	( 33,664)	-	1,148	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method	6(7)	<u>47,860</u>	<u>-</u>	<u>56,930</u>	<u>-</u>
7000	Non-operating income and expenses		<u>9,528</u>	<u>-</u>	<u>121,032</u>	<u>( 1)</u>
7900	<b>Profit (loss) before income tax</b>		<u>1,929,037</u>	<u>12</u>	<u>245,393</u>	<u>( 2)</u>
7950	Income tax expense	6(30)	( 398,456)	( 2)	( 20,730)	-
8200	<b>Profit (loss)</b>		<u>\$ 1,530,581</u>	<u>10</u>	<u>\$ 266,123</u>	<u>( 2)</u>
	<b>Other comprehensive loss</b>					
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Losses on remeasurements of defined benefit plans	6(17)	( \$ 183,401)	( 1)	( \$ 34,730)	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)	( 34,626)	-	( 119,628)	( 1)
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(7)	( 7,758)	-	272	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	<u>44,146</u>	<u>-</u>	<u>30,872</u>	<u>-</u>
8310	Components of other comprehensive income that will not be reclassified to profit or loss		( 181,639)	( 1)	( 123,214)	( 1)
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Exchange differences on translation	6(7)	( 2,795)	-	( 23,475)	-
8380	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)	( 1,567)	-	-	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(30)	<u>16,498</u>	<u>-</u>	<u>4,695</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss		<u>12,136</u>	<u>-</u>	<u>18,780</u>	<u>-</u>
8300	<b>Other comprehensive loss</b>		<u>( \$ 169,503)</u>	<u>( 1)</u>	<u>( \$ 141,994)</u>	<u>( 1)</u>
8500	<b>Total comprehensive income (loss)</b>		<u>\$ 1,361,078</u>	<u>9</u>	<u>( \$ 408,117)</u>	<u>( 3)</u>
	Basic earnings (loss) per share	6(31)				
9750	Total basic earnings (loss) per share		<u>\$ 2.24</u>		<u>( \$ 0.48)</u>	
9850	Total diluted earnings (loss) per share		<u>\$ 2.06</u>		<u>( \$ 0.48)</u>	

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

**ORIENT SEMICONDUCTOR ELECTRONICS LIMITED**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital			Retained Earnings			Other equity interest			Total equity
		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	
<b>Year ended December 31, 2020</b>											
At January 1, 2020		\$ 5,573,285	\$ -	\$ 45,711	\$ -	\$ -	\$ 537,191	(\$ 35,267)	\$ 16,536	(\$ 71,301)	\$ 6,066,155
Loss for the year		-	-	-	-	-	( 266,123 )	-	-	-	( 266,123 )
Other comprehensive loss for the year		-	-	-	-	-	( 27,512 )	( 18,780 )	( 95,702 )	-	( 141,994 )
Total comprehensive income		-	-	-	-	-	( 293,635 )	( 18,780 )	( 95,702 )	-	( 408,117 )
Distribution of 2019 earnings:	6(22)										
Legal reserve		-	-	-	53,719	-	( 53,719 )	-	-	-	-
Special reserve		-	-	-	-	18,730	( 18,730 )	-	-	-	-
Cash dividends		-	-	-	-	-	( 82,849 )	-	-	-	( 82,849 )
Issuance of preference share	6(20)	-	1,801,800	198,198	-	-	-	-	-	-	1,999,998
Share-based payment transactions	6(19)	( 2,860 )	-	( 23,186 )	-	-	-	-	-	53,627	27,581
At December 31, 2020		\$ 5,570,425	\$ 1,801,800	\$ 220,723	\$ 53,719	\$ 18,730	\$ 88,258	(\$ 54,047)	(\$ 79,166)	(\$ 17,674)	\$ 7,602,768
<b>Year ended December 31, 2021</b>											
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 year		-	-	-	-	-	1,530,581	-	-	-	1,530,581
Other comprehensive (loss) income for the year		-	-	-	-	-	( 146,721 )	12,136	( 34,918 )	-	( 169,503 )
Total comprehensive income (loss)		-	-	-	-	-	1,383,860	12,136	( 34,918 )	-	1,361,078
Distribution of 2020 earnings:	6(22)										
Special reserve		-	-	-	-	88,258	( 88,258 )	-	-	-	-
Share-based payment transactions	6(19)	( 16,106 )	-	14,174	-	-	-	-	-	10,151	8,219
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(3)	-	-	-	-	-	1,361	-	( 1,361 )	-	-
At December 31, 2021		\$ 5,554,319	\$ 1,801,800	\$ 234,897	\$ 53,719	\$ 106,988	\$ 1,385,221	(\$ 41,911)	(\$ 115,445)	(\$ 7,523)	\$ 8,972,065

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

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit (loss) before tax		\$ 1,929,037	( \$ 245,393 )
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(8)(9)(28)	1,261,837	1,420,968
Amortization expense	6(11)(28)	36,822	51,156
Loss (gain) on expected credit impairment	7 and 12(2)	18,172	( 4,636 )
Losses on financial assets at fair value through profit or loss	6(26)	5,225	-
Interest expense	6(27)	31,499	73,906
Interest income	6(24)	( 11,346 )	( 10,324 )
Share-based payments	6(19)	8,219	27,581
Share of loss (profit) loss of subsidiaris, associates and joint ventures accounted for using the equity method	6(7)	( 47,860 )	56,930
Gain on disposal of property, plant and equipment	6(26)	( 4,704 )	( 3,384 )
Gain on disposal of investments accounted for using equity method	6(26)	( 3,550 )	-
Loss on decline in market value	6(6)	19,481	45,648
Gain arising from lease modifications	6(9)	( 1,324 )	( 1,015 )
Reclassification of exchange differences on translation of foreign financial statements to foreign exchange losses		6,439	-
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease (increase) in contract assets		8,735	( 1,843 )
Decrease in notes receivable		706	918
(Increase) decrease in accounts receivable		( 665,893 )	276,955
Increase in accounts receivable due from related parties		( 243,570 )	( 364 )
(Increase) decrease in other receivable		( 25,225 )	7,962
Decrease (increase) in other receivables due from related parties		11,247	( 5,532 )
Increase in inventories		( 656,923 )	( 13,473 )
Increase in other prepayments		( 8,649 )	( 2,064 )
(Increase) decrease in other current assets, others		( 931 )	12,398
(Increase) decrease in other non-current assets -others		( 1,008 )	596
Increase (decrease) in contract liabilities		62,786	( 2,480 )
Decrease in notes payable		( 14,608 )	( 39,895 )
Increase (decrease) in accounts payable		874,392	( 713,049 )
Decrease in accounts payable to related parties		( 20,260 )	( 188,078 )
Increase in other payables		383,521	1,942
Decrease in current provisions		( 2,532 )	( 777 )
Increase (decrease) in other current liabilities		63,472	( 124,279 )
Decrease in net defined benefit liability		( 80,447 )	( 81,334 )
Cash inflow generated from operations		2,932,760	539,040
Interest received		1,533	5,628
Income tax paid		-	( 12,118 )
Net cash flows from operating activities		2,934,293	532,550

(Continued)

**ORIENT SEMICONDUCTOR ELECTRONICS LIMITED**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	\$ 32,727	\$ -
Decrease (increase) in current financial assets at amortised cost		119,580	( 131,045 )
Acquisition of investments accounted for using equity method	6(7)	( 290,000 )	-
Proceeds from disposal of investments accounted for using equity method	6(7)	13,535	-
Proceeds from returns of share capital due to liquidation of subsidiaries	6(7)	69,164	-
Acquisition of property, plant and equipment (including prepayment for equipment)	6(32)	( 1,028,876 )	( 458,626 )
Proceeds from disposal of property, plant and equipment		9,731	3,309
Decrease (increase) in other receivables		13,861	( 11,089 )
(Increase) decrease in long-term accounts receivable due from related parties		( 71,415 )	20,101
Acquisition of intangible assets	6(11)	( 27,841 )	( 20,316 )
Dividends received	6(7)	6,767	151,475
Net cash flows used in investing activities		( 1,152,767 )	( 446,191 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term borrowings	6(33)	3,098,880	-
Decrease in short-term borrowings	6(33)	( 3,910,452 )	( 1,272,327 )
Increase in short-term notes and bills payable	6(33)	49,972	-
Decrease in short-term notes and bills payable	6(33)	-	( 379,210 )
Proceeds from long-term borrowings	6(33)	1,255,700	1,738,149
Repayments of long-term debt	6(33)	( 1,468,906 )	( 2,976,291 )
Proceeds from issuing preference share	6(33)	-	999,999
Increase (decrease) in guarantee deposits received	6(33)	53,500	( 50 )
Increase in other payable to related parties		-	603
Payments of lease liabilities	6(33)	( 16,409 )	( 15,684 )
Cash dividends paid	6(22)	-	( 82,849 )
Proceeds from issuing preference share		-	1,999,998
Interest paid		( 13,682 )	( 75,848 )
Other financing activities		26,555	127,671
Net cash flows (used in) from financing activities		( 924,842 )	64,161
Net increase in cash and cash equivalents		856,684	150,520
Cash and cash equivalents at beginning of year		1,641,549	1,491,029
Cash and cash equivalents at end of year		\$ 2,498,233	\$ 1,641,549

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

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 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 St., Nanzi Processing Export Zone, Kaohsiung City. The Company 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 February 24, 2022.

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 Company’s financial condition and financial performance based on the Company’s assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 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 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 Company's financial condition and financial performance based on the Company's assessment.

(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 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
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	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

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

#### 4. Summary of Significant Accounting Policies

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

A. Except for the following items, the parent company only 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 Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

##### (3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and 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 income within 'other gains and losses'.

#### B. Translation of foreign operations

The operating results and financial position of all the Company 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.

#### (4) 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.

(5) 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.

(6) 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 Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) 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 Company 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 Company measures the financial assets at fair value plus transaction costs. The Company 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.
- D. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) 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 Company'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 Company 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.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company 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.

(10) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company 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 or contract assets and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company 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 Company has transferred substantially all risks and rewards of ownership of the financial asset.

(12) 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.

(13) 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.

(14) Investments accounted for using equity method / subsidiaries, associates and joint ventures

- A. Associates are all entities over which the Company 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 Company'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 Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company 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 Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company'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 Company.
- E. When the Company 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.

(15) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(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 Company 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 Company. 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 Company'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 Company 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 Company contain put options. The Company 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 Company 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 high-quality corporate 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 Company 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.

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 Company 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 Company 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; research and development expense and equity investments that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(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 (See 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 Company 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 Company does not adjust the transaction price to reflect the time value of money.

B. Manufacturing service of electronic products

- (a) The Company 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 Company 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.
- C. The Company'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 Company 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 Company'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 parent company only financial statements requires management to make critical judgements in applying the Company'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 Company's accounting policies

#### Revenue recognition on a net/gross basis

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

- A. The Company is primarily responsible for the provision of goods or services;
- B. The Company 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 Company has discretion in establishing prices for the goods or services.

### (2) Critical accounting estimates and assumptions

#### A. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company 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 December 31, 2021, the carrying amount of the Company's inventories was \$1,655,024.

## B. Realisability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

On December 31, 2021, the Group recognised deferred tax assets amounting to \$1,205,821.

## 6. Details of Significant Accounts

### (1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and petty cash	\$ 120	\$ 120
Checking accounts and demand deposits	2,116,569	1,308,962
Time deposits	<u>381,544</u>	<u>332,467</u>
	<u>\$ 2,498,233</u>	<u>\$ 1,641,549</u>

A. The Company 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 Company's demand deposits and time deposits which were provided as collateral 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>December 31, 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>\$ 1,261</u>	<u>\$ 6,486</u>

A. For details of the Company'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 Company 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	December 31, 2021	December 31, 2020
Non-current items:		
Unlisted stocks	\$ 39,879	\$ 107,232

- A. The Company 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 \$39,879 and \$107,232 as at December 31, 2021 and 2020, respectively.
- B. In July 2021, the Company sold \$32,727 of unlisted stocks at fair value and resulted in cumulative gains on disposal amounting to \$1,361, which have been transferred from other equity to retained earnings.
- C. For the years ended December 31, 2021 and 2020, the Company 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 (\$34,626) and (\$119,628), respectively.
- D. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(4) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items:		
Demand deposits - foreign capital special account	\$ 1,780	\$ 131,045
Pledged time deposits	9,685	-
	\$ 11,465	\$ 131,045

- A. For the years ended ended December 31, 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 Company'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 Company 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>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 146	\$ 852
Less: Loss allowance	-	-
	<u>\$ 146</u>	<u>\$ 852</u>
Accounts receivable	\$ 2,852,616	\$ 2,186,723
Less: Loss allowance	( 5,446)	( 20,938)
	<u>\$ 2,847,170</u>	<u>\$ 2,165,785</u>
Accounts receivable due from related parties	\$ 473,491	\$ 229,921
Less: Loss allowance	-	-
	<u>\$ 473,491</u>	<u>\$ 229,921</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 December 31, 2021 and 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 \$2,696,675.
- C. The Company has no notes and accounts receivable pledged to others as collateral.
- D. As at December 31, 2021 and 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 Company's notes receivable was \$146 and \$852, and accounts receivable was \$3,320,661 and \$2,395,706, respectively.

(6) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Raw materials	\$ 1,532,564	\$ 979,279
Supplies	158,991	150,762
Work in progress	233,373	141,969
Finished goods	<u>26,383</u>	<u>34,863</u>
	1,951,311	1,306,873
Less: Allowance for valuation loss	( 296,287)	( 289,291)
	<u>\$ 1,655,024</u>	<u>\$ 1,017,582</u>

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

	Year ended December 31	
	2021	2020
Cost of goods sold	\$ 12,754,638	\$ 12,868,622
Loss on decline in market value	6,996	34,552
Others	( 4,645)	( 2,277)
	<u>\$ 12,756,989</u>	<u>\$ 12,900,897</u>

B. As of December 31, 2021 and 2020, the fire insurance amount of inventories were \$13,939,684 and \$13,561,742, respectively.

(7) Investments accounted for using equity method

	Year ended December 31	
	2021	2020
At January 1	\$ 909,446	\$ 1,117,589
Additions of investments accounted for using equity method	290,000	-
Disposal of investments accounted for using equity method	( 81,732)	-
Earnings distribution of investments accounted for using equity method	47,860	( 56,930)
Share of profit or loss of investments accounted for using equity method	( 6,767)	( 162,753)
Changes in other equity interest	( 18,559)	( 23,203)
Others	<u>92</u>	<u>75</u>
	1,140,340	874,778
Add (Less): Credit balance of investments accounted for using equity method transferred to (reversed from) non-current liabilities	( 3,536)	34,668
	<u>\$ 1,136,804</u>	<u>\$ 909,446</u>

	December 31, 2021		December 31, 2020	
	Amount	Shareholding ratio	Amount	Shareholding ratio
Subsidiaries:				
ORIENT SEMICONDUCTOR ELECTRONICS PHILIPPINES, INC. (OSEP)	(\$ 46,536)	93.67%	(\$ 50,072)	93.67%
OSE USA, INC. (OSEU)	-	-	83,548	100%
OSE INTERNATIONAL LTD.	302,372	100%	286,232	100%
COREPLUS (H.K.) LIMITED	301,073	100%	300,780	100%
HUA-CHENG INVESTMENT CO.	291,503	100%	-	-
	<u>\$ 848,412</u>		<u>\$ 620,488</u>	
Add: Credit balance of investments accounted for using equity method transferred to non-current liabilities	<u>46,536</u>		<u>50,072</u>	
	<u>894,948</u>		<u>670,560</u>	
Associates				
OSE PROPERTIES, INC.	-	39.99%	-	39.99%
ATP Electronics Taiwan Inc.	241,856	9.57%	226,176	9.57%
INFOFAB, INC	-	-	12,710	13.32%
SCS HIGHTECH INC.	-	18.87%	-	18.17%
	<u>241,856</u>		<u>238,886</u>	
	<u>\$ 1,136,804</u>		<u>\$ 909,446</u>	

#### A. Subsidiaries

- Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2021 for the information regarding the Company's subsidiaries.
- The Company continued to recognise losses of OSEP proportionate to its ownership, resulting in the credit balance of investments accounted for using equity method, which were transferred to non-current liabilities.
- OSEU has stopped operations and cancelled its registration as approved by the Board of Directors on January 26, 2021, and was liquidated in September 2021.

#### B. Associates

- The Company'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.
- On May 28, 2021, the Company 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.
- The carrying amount of the Company'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 approved to nullify the registration in 2004 and is still pending liquidation.

(d) As of December 31, 2021 and 2020, there was no investments accounted for using equity method pledged as collaterals.

(e) As of December 31, 2021 and 2020, the Company had no significant associate.

(f). The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the operating results are summarised below:

As of December 31, 2021 and 2020, the carrying amount of the Company's individually immaterial associates amounted to \$241,856 and \$238,886, respectively.

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Profit for the year	\$ 23,266	11,176
Other comprehensive (loss) income , net of tax	( 819)	<u>272</u>
Total comprehensive income for the year	<u>\$ 22,447</u>	<u>\$ 11,448</u>

(8) Property, plant and equipment

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment		
- Owner-occupied	\$ 5,348,089	\$ 5,105,134
- Operating leases	<u>963</u>	<u>141,743</u>
	<u>\$ 5,349,052</u>	<u>\$ 5,246,877</u>

A. Property, plant and equipment for self-use

	<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, 2021	\$ 7,119,353	\$ 14,147,037	\$ 1,087	\$ 54,890	\$ 372,453	\$ 63,697	\$ 21,758,517
Additions	-	-	-	-	-	1,337,926	1,337,926
Disposals	( 2,521)	( 311,458)	-	( 826)	( 34,104)	-	( 348,909)
Transfer (Note)	( 85,717)	579,376	-	-	20,730	( 474,980)	39,409
December 31, 2021	<u>\$ 7,031,115</u>	<u>\$ 14,414,955</u>	<u>\$ 1,087</u>	<u>\$ 54,064</u>	<u>\$ 359,079</u>	<u>\$ 926,643</u>	<u>\$ 22,786,943</u>
Depreciation and impairment:							
January 1, 2021	\$ 4,779,640	\$ 11,469,113	\$ 1,067	\$ 54,765	\$ 348,798	\$ -	\$ 16,653,383
Depreciation expense	156,005	1,070,832	10	125	15,626	-	1,242,598
Disposals	( 2,401)	( 306,460)	-	( 826)	( 34,104)	-	( 343,791)
Transfer (Note)	( 123,359)	10,023	-	-	-	-	( 113,336)
December 31, 2021	<u>\$ 4,809,885</u>	<u>\$ 12,243,508</u>	<u>\$ 1,077</u>	<u>\$ 54,064</u>	<u>\$ 330,320</u>	<u>\$ -</u>	<u>\$ 17,438,854</u>

Note: In July 2021, the Company transferred part of buildings held for its own use to non-current assets held for sale, and the related cost and accumulated depreciation amounted to \$124,639 and \$123,359, respectively. Information relating to non-current assets held for sale is provided in Note 6(13).

	<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	\$ 14,104,129	\$ 1,087	\$ 54,890	\$ 368,330	\$ 93,666	\$ 21,680,652
Additions	-	-	-	-	-	246,355	246,355
Disposals	-	( 329,093)	-	-	( 2,630)	-	( 331,723)
Transfer	60,803	372,001	-	-	6,753	( 276,324)	163,233
December 31, 2020	<u>\$ 7,119,353</u>	<u>\$ 14,147,037</u>	<u>\$ 1,087</u>	<u>\$ 54,890</u>	<u>\$ 372,453</u>	<u>\$ 63,697</u>	<u>\$ 21,758,517</u>
Depreciation and impairment:							
January 1, 2020	\$ 4,550,028	\$ 10,662,032	\$ 1,057	\$ 54,364	\$ 333,499	\$ -	\$ 15,600,980
Depreciation expense	229,612	1,149,704	10	401	17,929	-	1,397,656
Disposals	-	( 329,093)	-	-	( 2,630)	-	( 331,723)
Transfer	-	( 13,530)	-	-	-	-	( 13,530)
December 31, 2020	<u>\$ 4,779,640</u>	<u>\$ 11,469,113</u>	<u>\$ 1,067</u>	<u>\$ 54,765</u>	<u>\$ 348,798</u>	<u>\$ -</u>	<u>\$ 16,653,383</u>
Carrying amount, net:							
December 31, 2021	<u>\$ 2,221,230</u>	<u>\$ 2,171,447</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 28,759</u>	<u>\$ 926,643</u>	<u>\$ 5,348,089</u>
December 31, 2020	<u>\$ 2,339,713</u>	<u>\$ 2,677,924</u>	<u>\$ 20</u>	<u>\$ 125</u>	<u>\$ 23,655</u>	<u>\$ 63,697</u>	<u>\$ 5,105,134</u>

B. Property, plant and equipment for operating lease

	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Total</u>
<b>Cost and revaluation increment:</b>			
January 1, 2021	\$ 279,342	\$ 19,503	\$ 298,845
Additions	-	-	-
Disposals	-	( 4,058)	( 4,058)
Transfer (Note)	( 268,621)	( 15,445)	( 284,066)
December 31, 2021	<u>\$ 10,721</u>	<u>\$ -</u>	<u>\$ 10,721</u>

<b>Depreciation and impairment:</b>			
January 1, 2021	\$ 143,389	\$ 13,713	\$ 157,102
Additions	133	368	501
Disposals	-	( 4,058)	( 4,058)
Transfer (Note)	( 133,764)	( 10,023)	( 143,787)
December 31, 2021	<u>\$ 9,758</u>	<u>\$ -</u>	<u>\$ 9,758</u>

<b>Cost and revaluation increment:</b>			
January 1, 2020	\$ 279,342	\$ -	\$ 279,342
Additions	-	-	-
Disposals	-	-	-
Transfer	-	19,503	19,503
December 31, 2020	<u>\$ 279,342</u>	<u>\$ 19,503</u>	<u>\$ 298,845</u>

<b>Depreciation and impairment:</b>			
January 1, 2020	\$ 138,887	\$ -	\$ 138,887
Additions	4,502	183	4,685
Disposals	-	-	-
Transfer	-	13,530	13,530
December 31, 2020	<u>\$ 143,389</u>	<u>\$ 13,713</u>	<u>\$ 157,102</u>

Carrying amount, net:			
December 31, 2021	<u>\$ 963</u>	<u>\$ -</u>	<u>\$ 963</u>
December 31, 2020	<u>\$ 135,953</u>	<u>\$ 5,790</u>	<u>\$ 141,743</u>

Note: In July 2021, the Company transferred part of buildings and structures held for operating leases to non-current assets held for sale, and the related cost and accumulated depreciation amounted to \$268,621 and \$133,764, respectively. Information relating to non-current assets held for sale is provided in Note 6(12).

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:

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Amount capitalised	<u>\$ 2,528</u>	<u>\$ 3,098</u>
Range of the interest rates for capitalisation	<u>0.99% ~ 1.33%</u>	<u>1.21% ~ 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 December 31, 2021 and 2020, the insured amount of fire insurance of property, plant and equipment were \$10,133,560 and \$9,421,818, 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 Company leased various assets, including land, machinery and equipment 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>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 148,983	\$ 161,920
Machinery and equipment	39,490	-
Transportation equipment	<u>4,922</u>	<u>4,648</u>
	<u>\$ 193,395</u>	<u>\$ 166,568</u>
<u>Year ended December 31</u>		
	<u>2021</u>	<u>2020</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 12,937	\$ 12,830
Machinery and equipment	963	-
Transportation equipment	<u>3,773</u>	<u>4,288</u>
	<u>\$ 17,673</u>	<u>\$ 17,118</u>

- C. For the years ended December 31, 2021 and 2020, the Company has increases in right-of-use assets of \$44,594 and \$24,152, respectively.

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

<u>Items affecting profit or loss</u>	<u>Year ended Decmeber 31</u>	
	<u>2021</u>	<u>2020</u>
Interest expense on lease liabilities	\$ 3,145	\$ 3,335
Expense on short-term lease contracts	2,114	2,217
Expense on leases of low-value assets	3,634	3,324
(Excluding expense on leases of low-value assets of short-term lease)		

- E. For the years ended December 31, 2021 and 2020, the total amount of the Company's cash outflow from leasing were \$25,302 and \$21,225, respectively.

F. The Company 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 \$1,324 and \$1,471 for the years ended December 31, 2021 and 2020, respectively.

(10) Leasing arrangements - lessor

A. The Company 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:

	Year ended Decmeber 31	
	2021	2020
Fixed lease payments and related income from variable lease payments determined by indexes or rates:	\$ 7,522	\$ 18,912

C. The maturity analysis of the undiscounted lease payments in the finance lease is as follows:

	December 31, 2020	December 31, 2020
Within 1 year	\$ 6,975	\$ 7,867
Later than one year but not later than two years	4,395	6,688
Later than two years but not later than three years	3,191	4,254
Later than three years but not later than four years	-	3,191
Later than four years but not later than five years	-	-
	<u>\$ 14,561</u>	<u>\$ 22,000</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) Intangible assets

	Computer software	
	2021	2020
<u>Cost</u>		
At January 1	\$ 397,290	\$ 369,773
Additions — acquired separately	27,841	20,316
Reclassifications	6,849	7,201
At December 31	<u>\$ 431,980</u>	<u>\$ 397,290</u>
<u>Accumulated amortisation</u>		
At January 1	\$ 362,737	\$ 311,581
Amortisation charge	36,822	51,156
At December 31	<u>\$ 399,559</u>	<u>\$ 362,737</u>
Book value	<u>\$ 32,421</u>	<u>\$ 34,553</u>

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

	Year ended December 31	
	2021	2020
Operating costs	\$ 21,228	\$ 23,837
Administrative expenses	\$ 7,757	\$ 9,076
Research and development expenses	\$ 7,837	\$ 18,243

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

(12) Non-current assets held for sale

A. The assets related to certain plants located in Kaohsiung Nanzih Technology Industrial Park have been reclassified as disposal group held for sale following the approval of the Company's Board of Directors to sell the plants for cooperating with the Land Redevelopment Project of Technology Industrial Park Administration. The transaction and ownership transfer are expected to be completed within a year. As of December 31, 2021, the assets of disposal group held for sale amounted to \$136,137, and there were no related liabilities.

B. No impairment loss incurred as a result of the remeasurement of the aforementioned disposal group held for sale at the lower of its carrying amount or fair value less costs to sell.

(13) Short-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Borrowings to purchase materials	\$ -	\$ 182,145
Unsecured borrowings	290,000	850,000
Secured borrowings	-	69,427
	<u>\$ 290,000</u>	<u>\$ 1,101,572</u>
Interest rate range	<u>0.93%~0.98%</u>	<u>1.334%~1.55%</u>

For the years ended December 31, 2021 and 2020, the amounts of interest expense recognised in profit or loss were \$9,843 and \$17,842, respectively.

A. As of December 31, 2021 and 2020, the Company's total unused amounts of short-term borrowings was \$3,491,050 and \$1,710,722, 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>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial paper payable	\$ 50,000	\$ -
Less: Unamortised discounts	( 14)	-
	<u>\$ 49,986</u>	<u>\$ -</u>
Interest rate range of issuance	<u>0.86%</u>	<u>-</u>

Aforementioned commercial paper payable was guaranteed and issued by China Bills Finance Corporation.

(15) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Wages and salaries payable	\$ 551,965	\$ 399,706
Pension payable	37,923	33,148
Employees' compensation and directors' remuneration payable	238,420	995
Payables for machinery and equipment	574,727	87,975
Utilities expense payable	31,809	7,677
Compensation payable	12,232	39,540
Insurance premiums payable	76,227	65,378
Employment Stability Fund payable	14,928	19,881
Other payables	<u>47,297</u>	<u>61,815</u>
	<u>\$ 1,585,528</u>	<u>\$ 716,115</u>

(16) Long-term borrowings

Type of Borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from August 2021 to September 2028; interest is repayable monthly; principal is repayable periodically.	0.6%~1.10% (Note 1)	None	\$ 558,394
Secured borrowings	Borrowing period is from December 2021 to December 2024; interest is repayable monthly; principal is repayable periodically.	1.05%	Machinery and equipment	60,000
Secured borrowings	Borrowing period is from December 2021 to May 2023; interest is repayable monthly; principal is repayable at maturity.	1.10%	Buildings and structures	<u>30,000</u>
				648,394
Less: Current portion		(Note 1)		<u>(60,700)</u>
				<u>\$ 587,694</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 (Note 2)	1.32%~1.55%	Note 3	\$ 600,000
Secured borrowings	Borrowing period is from September 2018 to February 2023 interest is repayable monthly; principal is repayable periodically. (Note 2)	1.45%~1.55%	Note 3	<u>261,600</u>
				861,600
Less: Current portion				<u>(241,600)</u>
				<u>\$ 620,000</u>

Note 1: Some of the Company's loans were granted in accordance with the 'Guidelines of Project Loans for Returning Overseas Taiwanese Businesses' of National Development Fund, Executive Yuan. The interest rate of the loans is the floating interest rate on a 2-year time deposit offered by the Directorate General of the Postal Remittances and Savings Bank less 0.245% of annual interest. In the event of failure to meet the requirements of the aforementioned Guidelines of Project Loans during the loan period, the interest rate will be changed to the floating interest rate on a 2-year time deposit offered by the Directorate General of the Postal Remittances and Savings Bank plus 0.255%~0.5% of annual interest.

Note 2: The Company made early repayments on the secured loans from banks during the period from December 2020 to May 2021.

Note 3: Primarily were time deposits, provision deposits, building and structures, machinery and equipment.

A. For the years ended December 31, 2021 and 2020, the amounts of interest expense recognised in profit or loss were \$2,358 and \$53,896, respectively.

B. As of December 31, 2021 and 2020, the Company's total unused amounts of long-term borrowings was \$3,792,300 and \$200,000, 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. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% 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) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	\$ 1,102,913	\$ 952,778
Fair value of plan assets	( 615,713)	( 568,532)
Net defined benefit liability	<u>\$ 487,200</u>	<u>\$ 384,246</u>

(c) Movements in net defined benefit liabilities are as follows:

	2021		
	Present value	Fair value of	Net defined
	of defined benefit obligations	plan assets	benefit liability
At January 1	\$ 952,778	(\$ 568,532)	\$ 384,246
Current service cost	5,372	-	5,372
Interest (expense) income	4,002	( 2,388)	1,614
	<u>962,152</u>	<u>( 570,920)</u>	<u>391,232</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 8,703)	( 8,703)
Change in financial assumptions	( 34,010)	-	( 34,010)
Experience adjustments	226,114	-	226,114
	<u>192,104</u>	<u>( 8,703)</u>	<u>183,401</u>
Pension fund contribution	-	( 87,433)	( 87,433)
Paid pension	( 51,343)	51,343	-
At December 31	<u>\$ 1,102,913</u>	<u>(\$ 615,713)</u>	<u>\$ 487,200</u>
	2020		
	Present value	Fair value of	Net defined
	of defined benefit obligations	plan assets	benefit liability
	of defined benefit obligations	plan assets	benefit liability
At January 1	\$ 1,007,077	(\$ 576,227)	\$ 430,850
Current service cost	6,424	-	6,424
Interest (expense) income	7,654	( 4,380)	3,274
Past service cost	10,208	-	10,208
	<u>1,031,363</u>	<u>( 580,607)</u>	<u>450,756</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 19,428)	( 19,428)
Change in demographic assumptions	61	-	61
Change in financial assumptions	60,565	-	60,565
Experience adjustments	( 6,468)	-	( 6,468)
	<u>54,158</u>	<u>( 19,428)</u>	<u>34,730</u>
Pension fund contribution	-	( 101,240)	( 101,240)
Paid pension	( 132,743)	132,743	-
At December 31	<u>\$ 952,778</u>	<u>(\$ 568,532)</u>	<u>\$ 384,246</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation

products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2021	2020
Discount rate	0.63%	0.42%
Future salary increases	1.50%	1.50%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 74,154)	\$ 83,161	\$ 81,993	(\$ 74,018)
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 67,989)	\$ 75,534	\$ 74,309	(\$ 67,656)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) The Company expects to pay contributions for the pension plan in the amount of \$51,984 in the future one year.

(g) As of December 31, 2021, the weighted average duration of the retirement plan is 14 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	766,689
1-2 year(s)	63,951
2-5 years	196,481
Over 5 years	<u>17,365</u>
	<u>\$ 1,044,486</u>

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 pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2021 and 2020 were \$113,277 and \$105,763, respectively.

(18) Preference share liability

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Class B preferred shares	\$ 1,005,149	\$ 1,006,485
Less: Maturity within one year	<u>-</u>	<u>-</u>
	<u>\$ 1,005,149</u>	<u>\$ 1,006,485</u>

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 effectived 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 years ended December 31, 2021 and 2020, the amount of interest expense which was estimated by annual rate and amortised based on interest method was \$18,663 and \$603, 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 years ended December 31, 2021 and 2020, the Company's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
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 Company 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)

	<u>2021</u>	<u>2020</u>
At January 1	3,283	5,000
Called back in the year (Note)	( 1,602)	( 310)
Vested in the year	-	( 1,407)
At December 31	<u>1,681</u>	<u>3,283</u>

Note: For the restricted shares which were called back by the Company during the years ended December 31, 2021 and 2020, 15 thousand shares and 24 thousand shares have not yet completed the registration of cancellation as of December 31, 2021 and 2020, respectively.

C. On November 25, 2019, the fair value of share-based payments transaction which was given by the Company was \$15.8.

D. For the years ended December 31, 2021 and 2020, the Company recognised expenses due to share-based payments transaction in the amounts of \$8,219 and \$27,581, respectively.

(20) Share capital

A. On December 31, 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 December 31, 2021, the Company's paid-in capital was \$8,257,019, consisting of 555,432 thousand common shares (including 70,785 thousand shares in private placement and 3,103 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 year were the same.

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

	<u>2021</u>	<u>2020</u>
Shares outstanding at January 1	\$ 553,736	\$ 552,329
Restricted shares called back but not yet cancelled at the beginning of the year	24	-
Restricted shares not yet vested at the beginning of the year	<u>3,283</u>	<u>5,000</u>
Shares issued at January 1	557,043	557,329
Cancellation of employee restricted shares	( 1,611)	( 286)
Restricted shares called back but not yet cancelled at the end of the year	( 15)	( 24)
Restricted shares not yet vested at the end of the year	( 1,681)	( 3,283)
At December 31	<u>\$ 553,736</u>	<u>\$ 553,736</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. The number of the Company's private placement common shares outstanding as of December 31, 2021 was 70,785 thousand shares due to the reduction of ordinary share capital conducted by the Company in the past.
- 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.
- 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>December 31, 2021</u>	<u>December 31, 2020</u>
Share premium on preferred share	\$ 198,198	\$ 198,198
Changes in ownership interests in subsidiaries	5,717	5,717
Difference between consideration and carrying amount of subsidiaries acquired or disposed	16,940	16,940
Changes of associates and joint ventures accounted for using equity method	( 2,675)	( 2,675)
Employee restricted shares	<u>16,717</u>	<u>2,543</u>
	<u>\$ 234,897</u>	<u>\$ 220,723</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.

(23) Operating revenue

	Year ended December 31	
	2021	2020
Revenue from contracts with customers		
IC packaging and testing service revenue	\$ 11,275,791	\$ 8,045,549
Electronics manufacturing service revenue	4,275,318	5,366,855
Other operating revenue	119,833	155,294
	<u>\$ 15,670,942</u>	<u>\$ 13,567,698</u>

A. Disaggregation of revenue from contracts with customers

Year ended December 31, 2021	Semiconductor Group	EMS Group	Total
IC packaging and testing service revenue	\$ 11,275,791	\$ -	\$ 11,275,791
Manufacture of electronic products	-	4,275,318	4,275,318
Other	79,870	39,963	119,833
	\$ 11,355,661	\$ 4,315,281	\$ 15,670,942
Timing of revenue recognition:			
Over time	\$ 11,275,791	\$ -	\$ 11,275,791
At a point in time	79,870	4,315,281	4,395,151
	\$ 11,355,661	\$ 4,315,281	\$ 15,670,942

Year ended December 31, 2020	Semiconductor Group	EMS Group	Total
IC packaging and testing service revenue	\$ 8,045,549	\$ -	\$ 8,045,549
Manufacture of electronic products	-	5,366,855	5,366,855
Other	121,610	33,684	155,294
	\$ 8,167,159	\$ 5,400,539	\$ 13,567,698
Timing of revenue recognition:			
Over time	\$ 8,045,549	\$ -	\$ 8,045,549
At a point in time	121,610	5,400,539	5,522,149
	\$ 8,167,159	\$ 5,400,539	\$ 13,567,698

B. Contract assets and liabilities

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

	December 31, 2021	December 31, 2020
Current contract assets		
IC packaging and testing service	\$ 296,090	\$ 304,825
Current contract liabilities		
IC packaging and testing service	\$ 69,907	\$ 4,716
Manufacture of electronic products	18,244	20,649
	\$ 88,151	\$ 25,365

Notes: As of January 1, 2020, the Group recognised current contract liabilities in the amount of \$27,485.

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

(c) For the years ended December 31, 2021 and 2020, revenue recognised that was included in the

contract liability balance at the beginning of the period amounted to \$15,985 and \$3,839, respectively.

(24) Interest income

	Year ended December 31	
	2021	2020
Interest income from bank deposits	\$ 1,521	\$ 2,402
Interest income from loans to others	9,776	7,851
Interest income from financial assets measured at amortised cost	49	71
	<u>\$ 11,346</u>	<u>\$ 10,324</u>

(25) Other income

	Year ended December 31	
	2021	2020
Service revenue	\$ 21,481	\$ 17,968
Rental revenue	7,522	18,912
Other income	36,614	35,448
	<u>\$ 65,617</u>	<u>\$ 72,328</u>

(26) Other gains and losses

	Year ended December 31	
	2021	2020
Gains on disposals of investments accounted for using equity method	\$ 3,550	\$ -
Gains on disposals of property, plant and equipment	4,704	3,384
Net currency exchange losses	( 53,161)	( 76,723)
Losses on financial assets at fair value through profit or loss	( 5,225)	-
Others	-	( 657)
	<u>(\$ 50,132)</u>	<u>(\$ 73,996)</u>

(27) Finance costs

	Year ended December 31	
	2021	2020
Interest expense on borrowings from financial institutions	\$ 12,215	\$ 72,881
Interest expense on lease liability	3,145	3,335
Dividends on preference share liabilities	18,663	603
Others	4	185
	<u>34,027</u>	<u>77,004</u>
Less: Capitalisation of qualifying assets	( 2,528)	( 3,098)
	<u>\$ 31,499</u>	<u>\$ 73,906</u>

(28) Expenses by nature

	Year ended December 31	
	2021	2020
Employee benefit expense	\$ 4,043,883	\$ 3,290,851
Depreciation charges on property, plant and equipment (Note)	1,244,164	1,403,850
Depreciation expense on right-of-use assets	17,673	17,118
Amortisation charges on intangible assets	36,822	51,156

Note: Including the amortisation of losses on sale and leaseback transactions to depreciation charges amounting to \$1,065 and \$1,509 for the years ended December 31, 2021 and 2020, respectively.

(29) Employee benefit expense

	Year ended December 31	
	2021	2020
Salary expenses	\$ 3,306,260	\$ 2,550,766
Labour and health insurance fees	331,047	297,906
Pension costs	120,263	125,669
Directors' remuneration	24,394	3,175
Employee restricted shares	8,219	27,581
Other personnel expenses	253,700	285,754
	<u>\$ 4,043,883</u>	<u>\$ 3,290,851</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, than 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 years ended December 31, 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 \$216,746 and \$0; as well as \$21,675 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

(a) Components of income tax expense:

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profits for the year	\$ -	\$ 12,118
Deferred tax:		
Origination and reversal of temporary differences	328,201	8,612
Origination and reversal of tax loss	<u>70,255</u>	<u>-</u>
Income tax expense	<u>\$ 398,456</u>	<u>\$ 20,730</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Remeasurement of defined benefit obligations	(\$ 36,680)	(\$ 6,946)
Changes in fair value of financial assets at fair value through other comprehensive income	( 7,466)	( 23,926)
Currency translation differences	( 16,185)	( 4,695)
Share of other comprehensive income of associates	( 313)	-
	<u>(\$ 60,644)</u>	<u>(\$ 35,567)</u>

B. Reconciliation between income tax expense and accounting profit

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Tax calculated based on profit (loss) before tax and statutory tax rate	\$ 385,807	(\$ 49,078)
Items adjusted in accordance with tax regulation	( 2,397)	352
Temporary difference not recognised as deferred tax assets	4,148	11,808
Taxable loss not recognised as deferred tax assets	-	45,530
Change in assessment of realisation of deferred tax assets	12,500	-
Prior year taxable loss not recognised as deferred tax assets	( 1,602)	-
Effect from repatriated offshore funds	-	12,118
Income tax expense	<u>\$ 398,456</u>	<u>\$ 20,730</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

		2021			
		January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:					
- Temporary differences:					
Unrealised foreign exchange loss	\$	4,644	(\$ 3,894)	\$ -	\$ 750
Allowance for inventory valuation losses		57,858	1,399	-	59,257
Investments accounted for using equity method		1,149,579	( 306,977)	16,498	859,100
Impairment of assets		2,109	-	-	2,109
Net defined benefit liability - non-current		78,508	( 16,090)	36,680	99,098
Reserve for unused compensated absence		6,249	385	-	6,634
Others		17,294	( 3,024)	120	14,390
Unused tax losses		232,847	( 70,255)	-	162,592
		<u>1,549,088</u>	<u>( 398,456)</u>	<u>53,298</u>	<u>1,203,930</u>
Deferred tax liabilities:					
- Temporary differences:					
Gain on financial assets at fair value through other comprehensive income		( 7,346)	-	7,346	-
		<u>\$ 1,541,742</u>	<u>(\$ 398,456)</u>	<u>\$ 60,644</u>	<u>\$ 1,203,930</u>
		2020			
		January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:					
- Temporary differences:					
Unrealised foreign exchange loss	\$	1,034	\$ 3,610	\$ -	\$ 4,644
Allowance for inventory valuation losses		60,961	( 3,103)	-	57,858
Investments accounted for using equity method		1,138,423	6,461	4,695	1,149,579
Loss allowance		230	( 230)	-	-
Impairment of assets		2,109	-	-	2,109
Net defined benefit liability- non-current		87,829	( 16,267)	6,946	78,508
Reserve for unused compensated absence		5,236	1,013	-	6,249
Others		17,390	( 96)	-	17,294
Unused tax losses		232,847	-	-	232,847
		<u>1,546,059</u>	<u>( 8,612)</u>	<u>11,641</u>	<u>1,549,088</u>
Deferred tax liabilities:					
- Temporary differences:					
Gain on financial assets at fair value through other comprehensive income		( 31,272)	-	23,926	( 7,346)
		<u>\$ 1,514,787</u>	<u>(\$ 8,612)</u>	<u>\$ 35,567</u>	<u>\$ 1,541,742</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2021					
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>	
2017	\$ 1,155,026	\$ 598,215	\$ 292,519	2027	
2018	530,448	530,448	-	2028	
2020	204,471	204,471	204,471	2030	
December 31, 2020					
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>	
2017	\$ 1,155,026	\$ 958,742	\$ 292,519	2027	
2018	498,015	498,015	-	2028	
2020	227,652	227,652	227,652	2030	

E. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary difference	<u>\$ 20,740</u>	<u>\$ 59,040</u>

G. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(31) arnings (loss) per share

	<u>Year ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 1,530,581	-	
Less: Dividends on class C preferred shares	( 291,557)		
Profit attributable to ordinary shareholders of the parent (Note)	<u>\$ 1,239,024</u>	<u>553,736</u>	<u>\$ 2.24</u>

<u>Diluted earnings per share</u>			
Profit attributable to the parent	\$	1,530,581	553,736
Less: Dividends on class C preferred shares	(	<u>291,557</u> )	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-		8,179
Employee restricted stock	-		1,347
Convertible preferred stock		<u>291,557</u>	<u>180,180</u>
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$	<u>1,530,581</u>	<u>743,442</u> \$ <u>2.06</u>

Year ended December 31, 2020

		Weighted average number of ordinary shares outstanding	Loss per share
	<u>Amount after tax</u>	<u>(share in thousands)</u>	<u>(in dollars)</u>
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>266,123</u> )	<u>552,467</u>	(\$ <u>0.48</u> )

Note: The Company issued three classes of equity instruments, including ordinary shares, class B preferred shares and class C preferred shares. Since class C preferred shares are non-cumulative and participating equity instruments (refer to Note 6(20)E. (c) for the related terms of issuance), the Company assumed that ordinary shares and participating equity instruments would share in earnings until all of the profit or loss for the period had been distributed when calculating the profit or loss attributable to ordinary shareholders of the parent.

(32) Supplemental cash flow information

A. Investing activities with partial cash payments:

		<u>Year ended December 31</u>	
		<u>2021</u>	<u>2020</u>
Purchase of property, plant and equipment	\$	1,514,528	\$ 429,091
Increase (decrease) in prepayments for business facilities		60,187	( 29,776)
Add: Opening balance of payable on equipment (Note 1)		87,975	147,286
Less: Ending balance of payable on equipment (Note 2)		( <u>633,814</u> )	( <u>87,975</u> )
Cash paid during the year	\$	<u>1,028,876</u>	\$ <u>458,626</u>

Note 1: Shown as ‘other payables’.

Note 2: Shown as ‘notes payable’ and ‘other payables’.

B. Financing activities with no cash flow effects :

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Prepayments for business facilities transferred to prepayments	\$ 21,143	\$ -
Prepayments for business facilities transferred to property, plant and equipment	\$ 148,603	\$ 163,333
Prepayments for business facilities transferred to intangible assets	\$ 6,856	\$ 7,210
Long-term borrowings, current portion	\$ 60,700	\$ 241,600

(33) Changes in liabilities from financing activities

	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Others</u>	<u>December 31, 2021</u>
Short-term borrowings	\$ 1,101,572	(\$ 811,572)	\$ -	\$ 290,000
Short-term notes and bills payable	-	49,972	14	49,986
Long-term borrowings	861,600	( 213,206)	-	648,394
Lease liabilities	168,075	( 16,409)	43,176	194,842
Guarantee deposits received	3,424	53,500	-	56,924
Preference share liabilities	1,006,485	-	( 1,336)	1,005,149

	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Others</u>	<u>December 31, 2020</u>
Short-term borrowings	\$ 2,373,766	(\$ 1,272,327)	\$ 133	\$ 1,101,572
Short-term notes and bills payable	379,210	( 379,210)	-	-
Long-term borrowings	2,095,326	( 1,238,142)	4,416	861,600
Lease liabilities	160,623	( 15,684)	23,136	168,075
Guarantee deposits received	3,474	( 50)	-	3,424
Preference share liabilities	-	999,999	6,486	1,006,485

## 7. Related Party Transactions

### (1) Names of related parties and relationship with the Company

<u>Names of related parties</u>	<u>Relationship with the Company</u>
ORIENT SEMICONDUCTOR ELECTRONICS PHILIPPINES, INC. (OSEP)	Subsidiary
OSE USA, INC. (OSEU)	Subsidiary(Note 1)
OSE INTERNATIONAL LTD.(B.V.I)	Subsidiary
COREPLUS (H.K.) LIMITED (COREPLUS)	Subsidiary
Value-Plus Technology (Suzhou) Co. (VALUEPLUS)	Subsidiary
Hua-Cheng Investment Co.	Subsidiary (Note 4)
ATP Electronics Taiwan Inc. (ATP)	Associate
Infofab, Inc. (Infofab)	Associate (Note 2)
OSE Properties, Inc. (Properties)	Associate
Chipbond Technology Corporation (Chipbond)	Entity with significant influence to the Company (Note 3)
OAE Technology, Inc. (OAE) (Formerly 'Actiontec Electronics, Inc.' )	Other related party (Note 4)
Screenbeam, Inc. (Screenbeam)	Other related party (Note 4)
Infoaction Technology, Inc. (Infoaction)	Other related party (Note 4)
Golfware Inc.	Other related party (Note 4)
Phison Electronics Corp. (Phison)	Key management personnel

Note 1: It was liquidated in September 2021.

Note 2: The Company sold all its equity interests in Infofab on June 23, 2021; therefore, it was no longer the Company's associate.

Note 3: Chipbond acquired 29.44% equity interest in the Company on December 30, 2020, and was the company's associate.

Note 4: 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

	Year ended December 31	
	2021	2020
Phison	\$ 2,439,420	\$ 1,760,738
Associate	141,103	137,373
Entities with significant influence to the Company	1,145	-
Other related parties	-	7,688
	<u>\$ 2,581,668</u>	<u>\$ 1,905,799</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

	Year ended December 31	
	2021	2020
COREPLUS	\$ 182,719	\$ 298,234
OSEU	720	8,032
Key management personnel of the Company	903	472
Entities with significant influence to the Company	421	-
Associates	13	-
Other related parties	-	1,916
	<u>\$ 184,776</u>	<u>\$ 308,654</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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable:		
Phison	\$ 437,602	\$ 208,278
Associates	20,166	21,643
COREPLUS	15,082	-
ATP	-	-
Entities with significant influence to the Company	641	-
	<u>\$ 473,491</u>	<u>\$ 229,921</u>
Other receivables:		
Entities with significant influence to the Company	\$ 4,977	\$ 193
Associates	4,533	1,100
OSEP	4,103	-
VALUEPLUS	1,779	21,152
Key management personnel of the Company	100	176
	<u>\$ 15,492</u>	<u>\$ 22,621</u>

Receivables from related parties mainly arose from sales, leases, sales of equipment 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>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable:		
COREPLUS	\$ -	\$ 12,312
VALUEPLUS	294	90
OSEU	-	6,411
Infofab	-	1,268
Associates	383	953
Key management personnel of the Company	355	265
Entities with significant influence to the Company	<u>7</u>	<u>-</u>
	<u>\$ 1,039</u>	<u>\$ 21,299</u>
Other payables:		
Entities with significant influence to the Company	<u>\$ 20,602</u>	<u>\$ 603</u>

Payables to related parties pertain to purchase of materials, computer software, data maintenance and service fees 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) Acquisition of property, plant and equipment:

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Key management personnel of the Company	\$ 56,824	\$ -
Entities with significant influence to the Company	-	285
OSEU	<u>-</u>	<u>249</u>
	<u>\$ 56,824</u>	<u>\$ 534</u>

(b) Disposal of property, plant and equipment:

	<u>Year ended December 31</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Disposal</u>	<u>Gain (loss)</u>	<u>Disposal</u>	<u>Gain (loss)</u>
	<u>proceeds</u>	<u>on disposal</u>	<u>proceeds</u>	<u>on disposal</u>
VALUEPLUS	\$ 51	\$ 51	\$ 9	\$ 9
Entities with significant influence to the Company	<u>5,433</u>	<u>720</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,484</u>	<u>\$ 771</u>	<u>\$ 9</u>	<u>\$ 9</u>

(c) Acquisition of intangible assets:

	Year ended December 31	
	2021	2020
Infofab	\$ 6,311	\$ 12,223

F. Lease transactions — lessee

	Year ended December 31	
	2021	2020
Rental income		
ATP	\$ 4,257	\$ 4,258
Infofab	1,052	2,937
Entities with significant influence to the Company	1,019	-
Associates	-	184
Other related parties	-	32
	\$ 6,328	\$ 7,411

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

G. Loans to/from related parties:

(a) Loans to OSEP

	December 31, 2021	December 31, 2020
Long-term accounts receivables due from related parties	\$ 553,371	\$ 476,298
Less: Loss allowance	( 34,864)	-
	\$ 518,507	\$ 476,298

  

	Year ended December 31	
	2021	2020
Interest income	\$ 9,776	\$ 7,851

As of December 31, 2021 and 2020, interest income recognised in other receivables amounted to \$4,103 and \$0, respectively. For the years ended December 31, 2021 and 2020, interest income was collected at 1.8% and 1.8%~2.0% per annum, respectively.

H. Endorsements and guarantees

Endorsements and guarantees provided by the Company to related parties

	December 31, 2021	December 31, 2020
COREPLUS	\$ 69,175	\$ 71,200
OSEP	29,670	28,480
	\$ 98,845	\$ 99,680

Note 1: The amounts were translated from USD into NTD at exchange rates of USD 1 : NTD 27.67 and USD 1 : NTD 28.48 as of the date of 2021 and 2020 financial statements.

Note 2: The aforementioned amounts of endorsements and guarantees provided to related parties were the guaranty amount under the guaranty agreement between the Company and banks.

Note 3: As of December 31, 2021 and 2020, the actual amounts drawn down by the subsidiaries, which were endorsed and guaranteed by the Company, were \$19,093 and \$14,810, respectively.

#### I. Others

(a) The Company has engaged OSEU as its sales and collection agent in American. For the year ended December 31, 2020, the commission expenses amounted to \$46,407. The amount unpaid as of December 31, 2020 was \$8,506, recorded as other payables. There was no such transaction for the year ended December 31, 2021.

(b) The Company collects cash dividends and pays service fees on behalf of BVI. As of December 31, 2021 and 2020, the net amounts of collections and payments made on behalf of BVI were \$78,066 and \$78,177, respectively, recorded as other current liabilities.

(c) Expenses and fees paid to Infofab

	Year ended December 31,	
	2021	2020
Computer operating expenses	\$ 1,592	6,489
Information maintenance service fees	588	-
	<u>\$ 2,180</u>	<u>\$ 6,489</u>

(d) For the years ended December 31, 2021 and 2020, the Company recognised dividends from related parties in the amounts of \$6,767 and \$11,278, respectively. In addition, details of transactions of the Company's class B preferred shares held by an entity with significant influence to the Company are provided in Notes 6(18) and (27).

#### (3) Key management compensation

	Year ended December 31	
	2021	2020
Salaries and other short-term employee benefits	\$ 87,232	\$ 39,632
Post-employment benefits	513	783
Share-based payment	556	3,052
	<u>\$ 88,301</u>	<u>\$ 43,467</u>

## 8. Pledged Assets

The Company's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2020</u>	<u>December 31, 2020</u>	
Current financial assets at amortised cost - time deposits	\$ 9,685	\$ -	Short-term borrowings
Other current financial assets - time deposits	-	6,550	Short-term borrowings
Other current financial assets - deposits reserved for repayment	-	20,005	Long-term and short-term borrowings
Property, plant and equipment			
- Buildings and structures	800,215	828,872	Long-term and short-term borrowings
- Machinery and equipment	499,167	1,445,936	Long-term and short-term borrowings
- Leased assets - buildings and structures	-	3,130	Long-term borrowings
Guarantee deposits paid - time deposits	131,500	145,300	Customs guarantee or others
	<u>\$ 1,440,567</u>	<u>\$ 2,449,793</u>	

## 9. Significant Contingent Liabilities and Unrecognised Contract Commitments

### (1) Contingencies

None.

### (2) Commitments

- A. As of December 31, 2021 and 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 December 31, 2021 and 2020, the Company issued promissory notes of \$7,178,012 and \$4,745,928, respectively, as guarantees for bank loans.
- C. As of December 31, 2021 and 2020, the Company issued promissory notes of \$6,573 and \$15,108, respectively, as guarantees for payments of raw materials and machineries purchased.
- D. As of December 31, 2021 and 2020, the Company had letters of credit issued but not used amounting to US\$358 thousand and US\$480 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>December 31, 2021</u>	<u>December 31, 2020</u>
Electronic products	\$ 13,743,666	\$ 10,162,827
Electronic components	616,055	466,664
	<u>\$ 14,359,721</u>	<u>\$ 10,629,491</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	\$ 203,667	\$ 138,803

## 10. Significant Disaster Loss

None.

## 11. Significant Events after the Balance Sheet Date

None.

## 12. Others

### (1) Capital management

The Company's objectives when managing capital are to safeguard the Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	\$ 7,897,047	\$ 6,789,087
Total assets	\$ 16,869,112	\$ 14,391,855
Gearing ratio	47%	47%

### (2) Financial instruments

#### A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 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	\$ 1,261	\$ 6,486
Financial assets measured at fair value through other comprehensive income		
Designation of equity instrument	\$ 39,879	\$ 107,232
Financial assets at amortised cost		
Cash and cash equivalents (excluding cash on hand)	\$ 2,498,113	\$ 1,641,429
Financial assets at amortised cost	11,465	131,045
Notes receivable	146	852
Accounts receivable (including related parties)	3,320,661	2,395,706
Other receivables (including related parties)	70,981	49,065
Other current financial assets	-	26,555
Guarantee deposits paid	133,479	147,340
Long-term accounts receivable due from related parties	518,507	476,298
	<u>\$ 6,553,352</u>	<u>\$ 4,868,290</u>
	<u>December 31, 2020</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 290,000	\$ 1,101,572
Short-term notes and bills payable	49,986	-
Notes payable	59,087	14,608
Accounts payable (including related parties)	3,085,463	2,231,331
Other payables (including related parties)	1,606,130	716,718
Long-term borrowings (including current portion)	648,394	861,600
Preference share liability	1,005,149	1,006,485
	<u>\$ 6,744,209</u>	<u>\$ 5,932,314</u>
Lease liability (including current and non-current)	<u>\$ 194,842</u>	<u>\$ 168,075</u>

## B. Financial risk management policies

- (a) The Company'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 Company 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 Company 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 Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company 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 Company'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 Company's purpose to hold certain investments in foreign operations is for strategic investments; thus, the Company does not hedge those investments.
- iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 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	
<b>(Foreign currency: functional currency)</b>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	153,237	27.67	\$ 4,240,068	1%	\$ 42,401	\$ -
JPY:NTD	434,991	0.2405	104,615	1%	1,046	-
<u>Non-monetary items</u>						
USD:NTD	20,127	27.67	556,909	1%	-	5,569
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	76,566	27.67	2,118,581	1%	21,186	-
JPY:NTD	393,748	0.2405	94,696	1%	947	-
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	
<b>(Foreign currency: functional currency)</b>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	106,812	28.48	\$ 3,042,006	1%	\$ 30,420	\$ -
JPY:NTD	96,160	0.2766	26,598	1%	266	-
<u>Non-monetary items</u>						
USD:NTD	21,787	28.48	620,488	1%	-	6,205
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	53,208	28.48	1,515,364	1%	15,154	-
JPY:NTD	553,061	0.2766	152,977	1%	1,530	-

- iv. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for years ended December 31, 2021 and 2020 amounted to (\$53,161) and (\$76,723), respectively.

#### Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.
- ii. The Company'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 years ended December 31, 2021 and 2020 would have increased/decreased by \$399 and \$1,072, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

#### Interest rate risk

The Company'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 years ended December 31, 2021 and 2020 would have increased/decreased by \$1,297 and \$1,723, 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 Company arising from default by the counterparties of financial instruments on the contract obligations. The Company 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 Company'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 Company's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

- iii. As of December 31, 2021 and 2020, the amounts of accounts and notes receivable from top ten customers constitute 82% and 82%, respectively, of the Company's total accounts and notes receivable. The credit concentration risk of the remaining accounts and notes receivable is immaterial.
- iv. The Company's treasury manages the credit risks of bank deposits and other financial instruments based on the Company's credit policy. Because the Company's counterparties are determined based on the Company'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 Company classifies customers' contract assets and notes and accounts receivable in accordance with credit rating of customer, geographic area and industry sector. The Company applies the simplified approach using a provision matrix to estimate the expected credit loss.
- vii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2021 and 2020, the provision matrix classified by customers is as follows:

December 31, 2021		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)	\$ 2,445,447	\$ 68,416	\$ 6,157	\$ 8,815	\$ 2,752	\$ -	\$ 2,531,587
Lifetime expected credit losses	( 1,325)	( 712)	( 713)	( 1,240)	( 1,456)	-	( 5,446)
Carrying amount	<u>\$ 2,444,122</u>	<u>\$ 67,704</u>	<u>\$ 5,444</u>	<u>\$ 7,575</u>	<u>\$ 1,296</u>	<u>\$ -</u>	<u>\$ 2,526,141</u>
Loss ratio	0%~0.13%	0%~2.48%	0%~13.55%	0%~14.07%	52.91%	100%	
Electronics manufacturing services group		Overdue					
	Not past due	Up to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
Gross carrying amount (Note)	\$ 1,072,875	\$ 17,597	\$ 225	\$ 59	\$ -	\$ -	\$ 1,090,756
Lifetime expected credit losses	-	-	-	-	-	-	-
Carrying amount	<u>\$ 1,072,875</u>	<u>\$ 17,597</u>	<u>\$ 225</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,090,756</u>
Loss ratio	0%	0%	0%	0%	0%~8.98%	100%	
December 31, 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)	\$ 1,838,042	\$ 190,670	\$ 23,678	\$ -	\$ -	\$ 1,911	\$ 2,054,301
Lifetime expected credit losses	( 5,639)	( 7,028)	( 5,822)	-	-	( 1,911)	( 20,400)
Carrying amount	<u>\$ 1,832,403</u>	<u>\$ 183,642</u>	<u>\$ 17,856</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,033,901</u>
Loss ratio	0%~0.66%	0%~3.70%	24.59%	50.49%	67.48%	100%	
Electronics manufacturing services group		Overdue					
	Not past due	Up to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
Gross carrying amount (Note)	\$ 656,870	\$ 9,473	\$ 1,630	\$ -	\$ -	\$ 47	\$ 668,020
Lifetime expected credit losses	( 261)	( 114)	( 116)	-	-	( 47)	( 538)
Carrying amount	<u>\$ 656,609</u>	<u>\$ 9,359</u>	<u>\$ 1,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 667,482</u>
Loss ratio	0%~0.04%	1.20%	7.13%	17.58%	35.49%	100%	

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

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

	Year ended December 31			
	2021		2020	
	Accounts receivable	Other receivables	Accounts receivable	Other receivables
At January 1	\$ 20,938	\$ 1,200	\$ 26,096	\$ 2,348
Reversal of impairment loss	( 15,492)	( 1,200)	( 3,488)	( 1,148)
Write-offs during the year	-	-	( 1,670)	-
At December 31	<u>\$ 5,446</u>	<u>\$ -</u>	<u>\$ 20,938</u>	<u>\$ 1,200</u>

For provisioned loss for the years ended December 31, 2021 and 2020, there were no impairment losses arising from the contract assets and notes receivable.

(c) Liquidity risk

- i. The Company'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.
- ii. The table below analyses the Company'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.

	Less than 1 year	Between 2 and 3 years	Between 4 and 5 years	Over 5 years	Total
<u>December 31, 2021</u>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 291,916	\$ -	\$ -	\$ -	\$ 291,916
Short-term notes and bills payable	50,000				50,000
Notes payable	59,087	-	-	-	59,087
Accounts payable (including related parties)	3,085,463	-	-	-	3,085,463
Other payables (including related parties)	1,606,130	-	-	-	1,606,130
Long-term borrowings (including current portion)	65,820	273,122	280,634	44,082	663,658
Preference share liabilities	20,000	40,054	945,095	-	1,005,149
Lease liabilities	31,400	56,603	28,532	104,827	221,362

	Less than 1 year	Between 2 and 3 years	Between 4 and 5 years	Over 5 years	Total
<u>December 31, 2020</u>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 1,102,214	\$ -	\$ -	\$ -	\$1,102,214
Notes payable	14,608	-	-	-	14,608
Accounts payable (including related parties)	2,231,331	-	-	-	2,231,331
Other payables (including related parties)	710,589	-	-	-	710,589
Long-term borrowings (including current portion)	242,071	620,000	-	-	862,071
Preference share liabilities	603	40,000	40,000	1,019,451	1,100,054
Lease liabilities	17,933	30,989	29,411	118,653	196,986

### (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. Financial instruments not measured at fair value

The carrying amounts of the Company'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.

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

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

<u>December 31, 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	\$ -	\$ -	\$ 1,261	\$ 1,261
Financial assets at fair value through other comprehensive income				
Equity securities	-	14,304	25,575	39,879
	<u>\$ -</u>	<u>\$ 14,304</u>	<u>\$ 26,836</u>	<u>\$ 41,140</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>

(b) The methods and assumptions the Company 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)H.

D. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	2021	
	Derivative instrument	Non-derivative equity instrument
At January 1	\$ 6,486	\$ 88,374
Losses recognised in profit or loss	( 5,225)	-
Losses recognised in other comprehensive income	-	( 30,072)
Sold in the year	-	( 32,727)
At December 31	<u>\$ 1,261</u>	<u>\$ 25,575</u>
	2020	
	Derivative instrument	Non-derivative equity instrument
At January 1	\$ -	\$ 226,860
Losses recognised in other comprehensive income	-	( 119,628)
Acquired/issued in the year	6,486	-
Transfers out from level 3	-	( 18,858)
At December 31	<u>\$ 6,486</u>	<u>\$ 88,374</u>

F. For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.

G. 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.

H. 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 December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative instrument:					
Preference share liabilities returned	\$ 1,261	Binary tree convertible valuation model	Discount rate	2.0648%	The higher the discount rate, the lower the fair value.
Non-derivative equity instrument:					
Unlisted shares	\$ 25,575	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.

I. The Company 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 and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 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%	\$ 1,261	\$ 16,667	\$ -	\$ -	
			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	±1%	\$ 5,225	\$ 18,108	\$ -	\$ -	
Equity instrument	Discount for lack of marketability	±1%	\$ -	\$ -	\$ 997	\$ 997	

#### (4) Others

Due to the impact of the COVID-19 pandemic and various preventive measures imposed by the government, the Company has complied with the relevant measures and regulations on epidemic prevention announced by the government to reduce risks of personnel contact and cross transmission. The pandemic had no significant impact on the Company's overall operations and financial position.

### 13. Supplementary Disclosures

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 4.
- G. 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 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.

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 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

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 10.

14. Segment Information

Not applicable.

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 1

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash:		
Petty cash		\$ 120
Cash in banks:		
Checking accounts		4,622
Demand deposits (NTD)		1,030,927
Foreign currency deposits	USD 35,339 thousand at exchange rate of 27.67	977,830
	JPY 429,065 thousand at exchange rate of 0.2405	103,190
Cash equivalents:		
Time deposits (NTD)		350,000
Foreign currency time deposits	USD 1,140 thousand at exchange rate of 27.67	31,544
		<u>\$ 2,498,233</u>

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST -CURRENT  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 2

Name	Description	Shares	Face Value	Total Amount	Interest Rate	Carrying Amount	Accumulated Impairment	Note
Demand deposits-		-	-					
Segregated deposit account for offshore funds	USD 64 thousand at exchange rate of 27.67	-	\$ 1,780	\$ 1,780		\$ 1,780	\$ -	
Pledged time deposits	USD 350 thousand at exchange rate of 27.6 Due date: August 2021 ~ April 2022	3	9,685	9,685	0.15%~0.18%	<u>9,685</u> <u>\$ 11,465</u>	-	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF TRADE RECEIVABLES  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 3

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
FAH	Sales revenue	\$ 428,473	
IGP-A	"	499,142	
FAH—B	"	304,057	
I21	"	240,097	
IFQ	"	270,270	
Other (balance of each client has not exceeded 5% of total account balance)		<u>1,110,577</u>	
		2,852,616	
Less: Allowance for uncollectible accounts		( <u>5,446</u> )	
		<u>\$ 2,847,170</u>	
Related parties:			
COREPLUS (HK) LIMITED	Sales revenue	\$ 15,082	
ATP Electronics Taiwan Inc.	"	20,166	
Phison Electronics Corp.	"	437,602	
Other (balance of each client has not exceeded 5% of total account balance)		<u>641</u>	
		<u>\$ 473,491</u>	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 4

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Raw materials		\$ 1,532,564	\$ 1,332,031	Stated at the lower of cost and net realisable value.
Supplies		158,991	84,470	
Work in progress		233,373	224,662	
Finished goods		<u>26,383</u>	<u>13,861</u>	
		1,951,311	<u>\$ 1,655,024</u>	
Less: Allowance for valuation loss		( <u>296,287</u> )		
		<u>\$ 1,655,024</u>		

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - NON-CURRENT  
YEAR ENDED DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 5

<u>Name of Financial Instrument</u>	<u>Beginning Balance</u>		<u>Addition</u>		<u>Decrease</u>		<u>Ending Balance</u>		<u>Collateral</u>	<u>Note</u>
	<u>Shares</u>	<u>Fair Value</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Fair Value</u>		
Value of call option of class B preferred share	90,090,000	\$ 6,484	-	\$ -	-	(\$ 5,223)	90,090,000	\$ 1,261	None	

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**ORIENT SEMICONDUCTOR ELECTRONICS LIMITED**  
**STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

STATEMENT 6

Name of Financial Instrument	Balance as at January 1, 2021		Addition		Decrease		Valuation adjustment	Balance as at December 31, 2021		Accumulated Impairment	Collateral	Note
	Shares	Fair Value	Shares	Amount	Shares	Amount		Shares	Fair Value			
STRATEDGE - common share	5,135	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5,135	\$ -	\$ -		None
ACTIONTEC - common share	2,141,176	8,984	-	-	-	-	( 3,059)	2,141,176	5,925	-		None
ACTIONTEC - preferred share	2,352,941	9,874	-	-	-	-	( 1,495)	2,352,941	8,379	-		None
SPINERGY - common share	999,641	-	-	-	-	-	-	999,641	-	-		None
Golfware Inc.- common share	4,687	-	-	-	-	-	-	4,687	-	-		None
SCREENBEAM - common share	2,141,176	23,575	-	-	-	-	( 13,946)	2,141,176	9,629	-		None
SCREENBEAM - preferred share	2,352,941	28,748	-	-	-	-	( 12,802)	2,352,941	15,946	-		None
SPARQTRON - preferred share	3,650,000	36,051	-	-	( 3,650,600)	( 32,727)	( 3,324)	-	-	-		None
		<u>107,232</u>		<u>\$ -</u>		<u>(\$ 32,727)</u>	<u>(\$ 34,626)</u>		<u>\$ 39,879</u>	<u>\$ -</u>		

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**ORIENT SEMICONDUCTOR ELECTRONICS LIMITED**  
**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

STATEMENT 7

Name	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net Assets Value			
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of Ownership	Amount	Unit Price	Total Amount	Collateral	Note
Subsidiaries:													
ORIENT SEMICONDUCTOR ELECTRONICS PHILIPPINES, INC.	3,680,365	(\$ 50,072)	-	\$ 3,536	-	\$ -	3,680,365	100%	(\$ 46,536)	( 12.65)	(\$ 46,536)	None	
OSE USA, INC.	8,024	83,548	-	-	( 8,024)	( 83,548)	-	-	-	-	-	None	
OSE INTERNATIONAL LTD.	16,000,000	286,232	-	19,846	-	( 3,706)	16,000,000	100%	302,372	18.90	302,372	None	
COREPLUS (H.K.) LIMITED	7,500,000	300,780	-	7,077	-	( 6,784)	7,500,000	100%	301,073	40.14	301,073	None	
Hua-Cheng Investment Co.	-	-	29,000,000	299,260	-	( 7,757)	29,000,000	100%	291,503	10.05	291,503	None	
Associates:													
OSE PROPERTIES, INC.	7,998	-	-	-	-	-	7,998	39.99%	-	-	-	None	
ATP ELECTRONICS, TAIWAN INC.	7,518,750	226,176	-	23,266	-	( 7,586)	7,518,750	9.57%	241,856	27.42	206,170	None	
INFOFAB, INC.	822,768	12,710	-	-	( 822,768)	( 12,710)	-	-	-	-	-	None	
SCS HIGHTECH INC.	25,600,000	-	-	-	-	-	25,600,000	18.87%	-	-	-	None	
		859,374		352,985		( 122,091)			1,090,268		<u>\$ 1,054,582</u>		
Less: Credit balance of investments accounted for using equity method													
is transferred to liabilities - non-current		<u>50,072</u>		<u>-</u>		<u>( 3,536)</u>			<u>46,536</u>				
		<u>\$ 909,446</u>		<u>\$ 352,985</u>		<u>(\$ 125,627)</u>			<u>\$ 1,136,804</u>				

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,)

STATEMENT 8

Item	Beginning				Ending		Note
	Balance	Addition	Decrease	Others	Balance		
Land	\$ 175,109	\$ -	\$ -	\$ -	\$ 175,109		
Machinery and equipment	-	40,453	-	-	40,453		
Transportation equipment	12,600	4,141	-	(94)	16,647		
	<u>\$ 187,709</u>	<u>\$ 44,594</u>	<u>\$ -</u>	<u>(\$ 94)</u>	<u>\$ 232,209</u>		

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 9

<u>Item</u>	Beginning			Ending	
	<u>Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Balance</u>	<u>Note</u>
Land	\$ 13,189	\$ 12,937	\$ -	\$ 26,126	
Machinery and equipment	-	963	-	963	
Transportation equipment	<u>7,952</u>	<u>3,773</u>	-	<u>11,725</u>	
	<u>\$ 21,141</u>	<u>\$ 17,673</u>	<u>\$ -</u>	<u>\$ 38,814</u>	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF LONG-TERM ACCOUNTS RECEIVABLES DUE FROM RELATED PARTIES  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 10

<u>Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
OSE PHILIPPINES. INC	Financing principal	\$ 543,811	Loss allowance is estimated by the possibility of collection.
OSE PHILIPPINES. INC	Financing interest	<u>9,560</u>	
		553,371	
Less: Loss allowance		( <u>34,864</u> )	
		<u>\$ 518,507</u>	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 11

<u>Nature</u>	<u>Description</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Range of Interest Rate</u>	<u>Credit Line</u>	<u>Collateral</u>	<u>Note</u>
Unsecured borrowings	CTBC BANK Co., Ltd.	\$ 150,000	December 2021 ~ February 2022	0.98%	400,000	None	
"	Far Eastern International Bank	90,000	November 2021 ~ February 2022	0.93%	400,000	None	
"	Yuanta Commercial Bank Co., Ltd.	<u>50,000</u>	December 2021 ~ January 2022	0.94%	300,000	None	
		<u>\$ 290,000</u>					

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF SHORT-TERM BILLS PAYABLE  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 12

<u>Items</u>	<u>Guarantor or Accepting Institution</u>	<u>Contract Period</u>	<u>Range of Interest Rate</u>	<u>Amount</u>			<u>Note</u>
				<u>Issurance Amount</u>	<u>Unamortized Discounts</u> <u>Discounts on short-term bills</u>	<u>Book Value</u>	
Commercial paper	China Bills Finance Corporation	December 2021 ~ January 2022	0.86%	\$ 50,000	\$ 14	\$ 49,986	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF NOTES PAYABLE  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 13

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
101731	Payment for equipment	\$ 33,656	
103955	"	20,400	
Other (balance of each client has not exceeded 5% of total account balance)	"	<u>5,031</u>	
		<u>\$ 59,087</u>	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF TRADE PAYABLES  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 14

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
201126	Purchases	\$ 315,956	
200270	"	277,386	
101080	"	143,343	
Other (balance of each client	"		
has not exceeded 5% of			
total account balance)		<u>2,347,739</u>	
		<u>\$ 3,084,424</u>	
Related parties:			
Phison Electronics Corp. (Jhunan) Co.,	Purchases	\$ 355	
ATP Electronics Taiwan Inc.	"	383	
Value-Plus Technology (Suzhou) Co.	"	294	
Other (balance of each client			
has not exceeded 5% of	"		
total account balance)		<u>7</u>	
		<u>\$ 1,039</u>	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 15

Creditor	Description	Amount	Contract Period	Interest Rate	Collateral	Note
First Commercial Bank	Unsecured borrowings; pays interest monthly and principal periodically.	\$ 220,694	September 2021 ~ September 2026	0.6%~1.1%	None	
First Commercial Bank	Secured borrowings; pays interest monthly and pays principal at maturity.	30,000	December 2021 ~ May 2023	1.10%	Buildings and structures	
Mega International Commercial Bank	Unsecured borrowings; pays interest monthly and principal periodically.	237,700	August 2021 ~ December 2026	0.6%~1.1%	None	
CTBC BANK Co., Ltd.	Unsecured borrowings; pays interest monthly and principal periodically.	100,000	September 2021 ~ September 2028	0.60%	None	
Far Eastern International Bank	Secured borrowings; pays interest monthly and pays principal periodically.	60,000	December 2021 ~ December 2024	1.05%	Machinery and equipment	
		<u>648,394</u>				
	Less: Matured within one year	<u>( 60,700)</u>				
		<u>\$ 587,694</u>				

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF OPERATING REVENUE  
YEAR ENDED DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 16

<u>Item</u>	<u>Volume (in thousand)</u>	<u>Amount</u>	<u>Note</u>
Plastic package business of IC	1,350,431	\$ 10,532,776	
Electronic manufacturing service	80,977	4,294,479	
Testing revenue	621,036	756,551	
Others		<u>121,826</u>	
Total		15,705,632	
Less: Sales returns		( 858)	
Sales discounts and allowances		<u>( 33,832)</u>	
Operating revenue, net		<u>\$ 15,670,942</u>	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF OPERATING COSTS  
YEAR ENDED DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 17

Item	Amount
Self-manufacturing:	
Purchases in the period	\$ 7,263,002
Add: Raw materials at beginning of year	1,130,042
Less: Ending balance of raw materials	( 1,691,555)
Raw materials sold	( 502,641)
Transferred to manufacturing expenses	( 623,578)
Loss on physical inventory	( 54)
Loss on scrapping inventory	( 11,489)
Used in the year	5,563,727
Direct labor	2,066,190
Overhead	4,174,562
Manufacturing cost	11,804,479
Add: Beginning work in progress	141,969
Beginning work in progress - assets recognised from costs to fulfil contracts with customers	159,442
Less: Ending work in progress	( 233,373)
Work in progress - assets recognised from costs to fulfil contracts with customers	( 122,655)
Selling work in progress	( 67,321)
Transferred to manufacturing expenses	( 26)
Cost of finished goods	11,682,515
Add: Finished goods at beginning of year	34,863
Finished goods at beginning of year - assets recognised from costs to fulfil contracts with customers	119,658
Less: Finished goods at end of year	( 26,383)
Finished goods - assets recognised from costs to fulfil contracts with customers	( 128,041)
Transferred to expenses	( 6,732)
Loss on scrapping inventory	( 996)
Operating costs - finished goods	11,674,884
Less: Revenue from sales of scraps	( 17,184)
Total operating costs - self-manufacturing	11,657,700
Trading:	
Operating costs - selling raw materials	497,382
Operating costs - selling materials	5,259
Operating costs - selling work in progress	67,321
Operating costs - triangular trade	538,196
Operating costs - assets recognised from costs to fulfil contracts with customers	( 28,404)
Total operating costs - trading	1,079,754
Other operating costs:	
Inventory valuation loss	6,996
Loss on scrapping inventory	12,485
Loss on physical inventory	54
Total operating cost - other operating costs	19,535
Total operating cost	\$ 12,756,989

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF MAUFACTURING EXPENSES  
YEAR ENDED DECEMBER 31, 2021  
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 18

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Depreciation		\$ 1,213,581	
Salaries		1,068,806	
Indirect expenses		547,118	
Maintenance expenses		345,331	
Utilities expense		391,125	
Other (balance of each expense has not exceeded 5% of total account balance)		<u>608,601</u>	
		<u>\$ 4,174,562</u>	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF SELLING AND MANAGEMENT EXPENSES  
YEAR ENDED DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 19

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salaries		\$ 491,800	
Export expense		61,548	
Other (balance of each expense has not exceeded 5% of total account balance)		<u>154,560</u>	
		<u>\$ 707,908</u>	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
YEAR ENDED DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 20

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salaries		\$ 198,574	
Instruments		24,847	
Computer operating expense		21,549	
Other (balance of each expense has not exceeded 5% of total account balance)		<u>57,058</u>	
		<u>\$ 302,028</u>	

**ORIENT SEMICONDUCTOR ELECTRONICS LIMITED**  
**SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY FUNCTION**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

STATEMENT 21

Function Nature	Year ended December 31, 2021			Year ended December 31, 2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense (Note)	\$ 3,262,927	\$ 780,956	\$ 4,043,883	\$ 2,785,939	\$ 504,912	\$ 3,290,851
Salary expenses	2,668,847	637,413	3,306,260	2,184,592	366,174	2,550,766
Employee restricted shares	-	8,219	8,219	-	27,581	27,581
Labour and health insurance fees	289,127	41,920	331,047	257,396	40,510	297,906
Pension costs	99,915	20,348	120,263	103,384	22,285	125,669
Directors' remuneration	-	24,394	24,394	-	3,175	3,175
Other personnel expenses	205,038	48,662	253,700	240,567	45,187	285,754
Depreciation Expense	1,214,646	47,191	1,261,837	1,367,950	53,019	1,420,969
Amortisation Expense	21,228	15,594	36,822	23,837	27,319	51,156

Note:

Note 1: For the years ended December 31, 2021 and 2020, the Company had 5,413 and 5,910 employees, excluding 6 and 4 non-employee directors , respectively.

Note 2: (1) For the years ended December 31, 2021 and 2020, average employee benefit expense are \$743 and \$557, respectively. (Including salary expenses and employee restricted stocks)

(2) For the years ended December 31, 2021 and 2020, average employees' salary expenses are \$613 and \$436, respectively. (Including salary expenses and employee restricted stocks)

(3) Adjustments of average employees salaries: 40.60%.

(4) The Company has set up an audit committee to substitute supervisor and does not recognise supervisors' remuneration.

(5) The Company has policies of compensation and remuneration which comply with labor acts, external market price level, internal fairness and company's operating performance, such as the salary level of each job and position level. Compensation including monthly salary and various encourage actions and rewards to encourage employees present better performance and motivation for a win-win situation for employers and employees in environment and salaries and benefits.

Orient Semiconductor Electronics, Limited  
Loans to others  
Year ended December 31, 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 at	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	
					ended December 31, 2021	December 31, 2021							Item	Value				
0	Orient Semiconductor Electronics, Limited	OSE PHILIPPINES, INC.	Long-term accounts receivables due from related parties	Y	\$ 780,442	\$ 701,435	\$ 543,811	1.80	Short-term financing	\$ -	Capital requirement of OSEP	\$ 34,864	-	\$ -	\$ 2,691,619	\$ 3,588,826	-	
1	OSE PHILIPPINES, INC.	OSE PROPERTIES, INC.	Long-term accounts receivables due from related parties	Y	85,839 (USD 3,102)	85,839 (USD 3,102)	85,839 (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  
Year ended December 31, 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 December 31, 2021	Outstanding endorsement/guarantee amount at December 31, 2021	Actual amount drawn down	Amount of endorsements/guarantees 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	\$ 2,691,619	\$ 69,175 (USD 2,500)	\$ 69,175 (USD 2,500)	\$ 9,685 (USD 350)	\$ -	0.77%	\$ 8,972,065	Y	N	N	-
0	Orient Semiconductor Electronics,Limited	OSE PHILIPPINES, INC.	Note 2	2,691,619	\$ 27,670 (USD 1,000)	\$ 27,670 (USD 1,000)	\$ 9,408 (USD 290)	\$ 27,670 (USD 1,000)	0.31%	8,972,065	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)  
December 31, 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 December 31, 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	5,925	-	5,925	-
Orient Semiconductor Electronics,Limited	ACTIONTEC's stocks - preference share	None	Financial assets at fair value through other comprehensive income - non-current	2,352,941	8,379	-	8,379	-
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	9,629	-	9,629	-
Orient Semiconductor Electronics,Limited	SCREENBEAM's stocks - preference share	None	Financial assets at fair value through other comprehensive income - non-current	2,352,941	15,946	-	15,946	-
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	4,120,000	274,804	0.56%	274,804	-

Orient Semiconductor Electronics, Limited  
Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more  
Year ended December 31, 2021

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Real estate disposed by	Real estate	Transaction date or date of the event (Note 1)	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
OSE PHILIPPINES, INC.	Plant	December 8, 2021	1998	\$ 352,128 (USD 12,726)	\$ 486,854 (USD 17,595)	Expect to collect when transferred in the first quarter of 2022	\$ 53,880 (USD 1,927)	MICROSEMI SEMICONDUCTORS-MANILA (PHILIPPINES), INC.	Non-related party	Effectively use of the Group's resource	Appraisal report and mutual agreement	None

Note 1: Transaction date or date of the event refers to the resolution date of the Board of Directors.  
Note 2: Gain (loss) on disposal is estimated amount, the actual amount shall based on the transfer date.

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  
Year ended December 31, 2021

Table 5

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	COREPLUS (HK) LIMITED	Subsidiary	Purchases	\$ 182,719	2.52%	60 days after monthly billings	-	-	\$ 15,082	0.45%	Note
Orient Semiconductor Electronics,Limited	Phison Electronics Corp.	Key management personnel of the Company	Sales	2,439,420	15.57%	30 days after monthly billings	-	-	437,602	13.18%	-
Orient Semiconductor Electronics,Limited	ATP Electronics Taiwan Inc.	Associate of the Company	Sales	141,103	0.90%	30 days after monthly billings or delivery	-	-	20,166	0.61%	-
Valve-Plus Technology (Suzhou) Co.	OSE PHILIPPINES	Subsidiary	Sales	121,121	94.92%	60 days after monthly billings	-	-	10,163	82.57%	-

Note: The amount of purchases (sales) pertains to the amount after offsetting sales of raw materials by the Company to the subsidiary and purchases of processed finished goods by the Company from the subsidiary.

In addition, accounts payable at the end of the period pertain to the balance after offsetting accounts receivable and payable. These amounts were eliminated in the consolidated financial statements.

Orient Semiconductor Electronics, Limited  
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
December 31, 2021

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Orient Semiconductor Electronics,Limited	OSE PHILIPPINES	Subsidiary	Long-term accounts receivables (Note 1) \$ 553,371	-	-	-	-	34,864
Orient Semiconductor Electronics,Limited	Phison Electronics Corp.	Key management personnel of the Company	Accounts receivable	7.55	-	-	-	-
OSE PHILIPPINES, INC.	OSE PROPERTIES, INC.	Associate of the Group	Other receivables (Note 2)	-	-	-	-	-

Note 1: The amount was eliminated in the consolidated financial statements.

Note 2: 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 \$46,986 and \$85,839, respectively.

Orient Semiconductor Electronics, Limited  
Significant inter-company transactions during the reporting periods  
Year ended December 31, 2021

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

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

				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	\$ 553,371	-	3.25%
0	Orient Semiconductor Electronics,Limited	OSE INTERNATIONAL LIMITED	1	Other payables	78,066	-	0.46%
1	COREPLUS (HK) LIMITED	Orient Semiconductor Electronics,Limited	2	Sales revenue	182,719	Same with general transaction terms	1.15%
2	Valve-Plus Technology (Suzhou) Co.	COREPLUS (HK) LIMITED	3	Sales revenue	121,121	Same with general transaction terms	0.76%

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.

Orient Semiconductor Electronics, Limited  
Information on investees  
Year ended December 31, 2021

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investor	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote	
				Balance as at December 31, 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	\$ 3,579,818 (USD 129,375,408)	\$ 3,579,818 (USD 129,375,408)	3,680,365	93.67%	(\$ 46,536)	\$ 2,304	\$ 2,158	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	8,445 (USD 305,559)	8,445 (USD 305,559)	7,998	39.99%	-	-	-		
			(2) Lease of properties									
			(3) Other property-related business									
Orient Semiconductor Electronics, Limited	OSE USA INC.	U.S.A	North American customer service	-	999,075 (USD 36,106,783)	-	-	-	( 10,950)	( 10,950)	Notes 1 and 2	
Orient Semiconductor Electronics, Limited	OSE INTERNATIONAL Limited	British Virgin IS.	Investments of various manufacturing businesses	442,720 (USD 16,000,000)	442,720 (USD 16,000,000)	16,000,000	100%	302,372	19,846	19,846	Note 1	
Orient Semiconductor Electronics, Limited	ATP Electronics Taiwan Inc.	Taiwan	Design and sales of RAM module of high Level Communication	285,042 (USD 10,301,492)	285,042 (USD 10,301,492)	7,518,750	9.57%	241,856	241,105	23,266		
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	-	-	-	( 16,567)	( 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	207,525 (USD 7,500,000)	207,525 (USD 7,500,000)	7,500,000	100%	301,073	7,004	7,004	Note 1	
Orient Semiconductor Electronics, Limited	HUA-CHENG INVESTMENT CO.	Taiwan	Reinvestments in various business	290,000	-	29,000,000	100%	291,503	9,261	9,261	Note 1	
OSE INTERNATIONAL Limited	ATP Electronics Taiwan Inc.	Taiwan	Design and sales of RAM module of high Level Communication	332,040 (USD 12,000,000)	332,040 (USD 12,000,000)	6,866,250	8.74%	225,317	241,105	21,071	Note 5	
OSE INTERNATIONAL Limited	OSE PHILIPPINES, INC.	Philippines	(1) Manufacture and export of integrated circuits and computers	138,350 (USD 5,000,000)	138,350 (USD 5,000,000)	248,660	6.33%	( 3,145)	2,304	146	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 has stopped operations and cancelled its registration as approved by the Board of Directors on January 26, 2021, and was liquidated in September 2021.

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 financial 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.

Orient Semiconductor Electronics, Limited  
Information on investments in Mainland China  
Year ended December 31, 2021

Table 9

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 year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 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 processing of the surface of base plate of electronic 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	(\$ 27,279)	100%	(\$ 27,279)	\$ 66,677	\$ -	Note 3
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	886	18.31%	162	10,885	-	Note 3

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 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	\$ 5,383,238	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

December 31, 2021

Table 10

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
Chipbond Technology Corporation	163,995,498	29.53%

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.

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 1

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash:		
Petty cash		\$ 120
Cash in banks:		
Checking accounts		4,622
Demand deposits (NTD)		1,030,927
Foreign currency deposits	USD 35,339 thousand at exchange rate of 27.67	977,830
	JPY 429,065 thousand at exchange rate of 0.2405	103,190
Cash equivalents:		
Time deposits (NTD)		350,000
Foreign currency time deposits	USD 1,140 thousand at exchange rate of 27.67	31,544
		<u>\$ 2,498,233</u>

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST -CURRENT  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 2

Name	Description	Shares	Face Value	Total Amount	Interest Rate	Carrying Amount	Accumulated Impairment	Note
Demand deposits-		-	-					
Segregated deposit account for offshore funds	USD 64 thousand at exchange rate of 27.67	-	\$ 1,780	\$ 1,780		\$ 1,780	-	
Pledged time deposits	USD 350 thousand at exchange rate of 27.6 Due date: August 2021 ~ April 2022	3	9,685	9,685	0.15%~0.18%	<u>9,685</u> <u>\$ 11,465</u>	-	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF TRADE RECEIVABLES  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 3

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
FAH	Sales revenue	\$ 428,473	
IGP-A	"	499,142	
FAH—B	"	304,057	
I21	"	240,097	
IFQ	"	270,270	
Other (balance of each client has not exceeded 5% of total account balance)		<u>1,110,577</u>	
		2,852,616	
Less: Allowance for uncollectible accounts		( <u>5,446</u> )	
		<u>\$ 2,847,170</u>	
Related parties:			
COREPLUS (HK) LIMITED	Sales revenue	\$ 15,082	
ATP Electronics Taiwan Inc.	"	20,166	
Phison Electronics Corp.	"	437,602	
Other (balance of each client has not exceeded 5% of total account balance)		<u>641</u>	
		<u>\$ 473,491</u>	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 4

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Raw materials		\$ 1,532,564	\$ 1,332,031	Stated at the lower of cost and net realisable value.
Supplies		158,991	84,470	
Work in progress		233,373	224,662	
Finished goods		<u>26,383</u>	<u>13,861</u>	
		1,951,311	<u>\$ 1,655,024</u>	
Less: Allowance for valuation loss		( <u>296,287</u> )		
		<u>\$ 1,655,024</u>		

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - NON-CURRENT  
YEAR ENDED DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 5

<u>Name of Financial Instrument</u>	<u>Beginning Balance</u>		<u>Addition</u>		<u>Decrease</u>		<u>Ending Balance</u>		<u>Collateral</u>	<u>Note</u>
	<u>Shares</u>	<u>Fair Value</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Fair Value</u>		
Value of call option of class B preferred share	90,090,000	\$ 6,484	-	\$ -	-	(\$ 5,223)	90,090,000	\$ 1,261	None	

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**ORIENT SEMICONDUCTOR ELECTRONICS LIMITED**  
**STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

STATEMENT 6

Name of Financial Instrument	Balance as at January 1, 2021		Addition		Decrease		Valuation adjustment	Balance as at December 31, 2021		Accumulated Impairment	Collateral	Note
	Shares	Fair Value	Shares	Amount	Shares	Amount		Shares	Fair Value			
STRATEDGE - common share	5,135	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5,135	\$ -	\$ -		None
ACTIONTEC - common share	2,141,176	8,984	-	-	-	-	( 3,059)	2,141,176	5,925	-		None
ACTIONTEC - preferred share	2,352,941	9,874	-	-	-	-	( 1,495)	2,352,941	8,379	-		None
SPINERGY - common share	999,641	-	-	-	-	-	-	999,641	-	-		None
Golfware Inc.- common share	4,687	-	-	-	-	-	-	4,687	-	-		None
SCREENBEAM - common share	2,141,176	23,575	-	-	-	-	( 13,946)	2,141,176	9,629	-		None
SCREENBEAM - preferred share	2,352,941	28,748	-	-	-	-	( 12,802)	2,352,941	15,946	-		None
SPARQTRON - preferred share	3,650,000	36,051	-	-	( 3,650,600)	( 32,727)	( 3,324)	-	-	-		None
		<u>107,232</u>		<u>\$ -</u>		<u>(\$ 32,727)</u>	<u>(\$ 34,626)</u>		<u>\$ 39,879</u>	<u>\$ -</u>		

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**ORIENT SEMICONDUCTOR ELECTRONICS LIMITED**  
**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

STATEMENT 7

Name	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net Assets Value			
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of Ownership	Amount	Unit Price	Total Amount	Collateral	Note
Subsidiaries:													
ORIENT SEMICONDUCTOR ELECTRONICS PHILIPPINES, INC.	3,680,365	(\$ 50,072)	-	\$ 3,536	-	\$ -	3,680,365	100%	(\$ 46,536)	( 12.65)	(\$ 46,536)	None	
OSE USA, INC.	8,024	83,548	-	-	( 8,024)	( 83,548)	-	-	-	-	-	None	
OSE INTERNATIONAL LTD.	16,000,000	286,232	-	19,846	-	( 3,706)	16,000,000	100%	302,372	18.90	302,372	None	
COREPLUS (H.K.) LIMITED	7,500,000	300,780	-	7,077	-	( 6,784)	7,500,000	100%	301,073	40.14	301,073	None	
Hua-Cheng Investment Co.	-	-	29,000,000	299,260	-	( 7,757)	29,000,000	100%	291,503	10.05	291,503	None	
Associates:													
OSE PROPERTIES, INC.	7,998	-	-	-	-	-	7,998	39.99%	-	-	-	None	
ATP ELECTRONICS, TAIWAN INC.	7,518,750	226,176	-	23,266	-	( 7,586)	7,518,750	9.57%	241,856	27.42	206,170	None	
INFOFAB, INC.	822,768	12,710	-	-	( 822,768)	( 12,710)	-	-	-	-	-	None	
SCS HIGHTECH INC.	25,600,000	-	-	-	-	-	25,600,000	18.87%	-	-	-	None	
		859,374		352,985		( 122,091)			1,090,268		<u>\$ 1,054,582</u>		
Less: Credit balance of investments accounted for using equity method													
is transferred to liabilities - non-current		<u>50,072</u>		<u>-</u>		<u>( 3,536)</u>			<u>46,536</u>				
		<u>\$ 909,446</u>		<u>\$ 352,985</u>		<u>(\$ 125,627)</u>			<u>\$ 1,136,804</u>				

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,)

STATEMENT 8

<u>Item</u>	<u>Beginning</u>				<u>Ending</u>		<u>Note</u>
	<u>Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Others</u>	<u>Balance</u>		
Land	\$ 175,109	\$ -	\$ -	\$ -	\$ 175,109		
Machinery and equipment	-	40,453	-	-	40,453		
Transportation equipment	12,600	4,141	-	( 94)	16,647		
	<u>\$ 187,709</u>	<u>\$ 44,594</u>	<u>\$ -</u>	<u>(\$ 94)</u>	<u>\$ 232,209</u>		

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**ORIENT SEMICONDUCTOR ELECTRONICS LIMITED**  
**STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS**  
**DECEMBER 31, 2021**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

STATEMENT 9

Item	Beginning			Ending		Note
	Balance	Addition	Decrease	Balance		
Land	\$ 13,189	\$ 12,937	\$ -	\$ 26,126		
Machinery and equipment	-	963	-	963		
Transportation equipment	7,952	3,773	-	11,725		
	\$ 21,141	\$ 17,673	\$ -	\$ 38,814		

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF LONG-TERM ACCOUNTS RECEIVABLES DUE FROM RELATED PARTIES  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 10

<u>Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
OSE PHILIPPINES. INC	Financing principal	\$ 543,811	Loss allowance is estimated by the possibility of collection.
OSE PHILIPPINES. INC	Financing interest	<u>9,560</u>	
		553,371	
Less: Loss allowance		( <u>34,864</u> )	
		<u>\$ 518,507</u>	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 11

<u>Nature</u>	<u>Description</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Range of Interest Rate</u>	<u>Credit Line</u>	<u>Collateral</u>	<u>Note</u>
Unsecured borrowings	CTBC BANK Co., Ltd.	\$ 150,000	December 2021 ~ February 2022	0.98%	400,000	None	
"	Far Eastern International Bank	90,000	November 2021 ~ February 2022	0.93%	400,000	None	
"	Yuanta Commercial Bank Co., Ltd.	<u>50,000</u>	December 2021 ~ January 2022	0.94%	300,000	None	
		<u>\$ 290,000</u>					

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF SHORT-TERM BILLS PAYABLE  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 12

<u>Items</u>	<u>Guarantor or Accepting Institution</u>	<u>Contract Period</u>	<u>Range of Interest Rate</u>	<u>Amount</u>			<u>Note</u>
				<u>Issurance Amount</u>	<u>Unamortized Discounts</u>	<u>Book Value</u>	
Commercial paper	China Bills Finance Corporation	December 2021 ~ January 2022	0.86%	\$ <u>50,000</u>	\$ <u>14</u>	\$ <u>49,986</u>	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF NOTES PAYABLE  
DECEMBER 31, 2021  
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 13

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
101731	Payment for equipment	\$ 33,656	
103955	"	20,400	
Other (balance of each client	"	<u>5,031</u>	
has not exceeded 5% of			
total account balance)		<u>\$ 59,087</u>	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF TRADE PAYABLES  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 14

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
201126	Purchases	\$ 315,956	
200270	"	277,386	
101080	"	143,343	
Other (balance of each client	"		
has not exceeded 5% of			
total account balance)		<u>2,347,739</u>	
		<u>\$ 3,084,424</u>	
Related parties:			
Phison Electronics Corp. (Jhunan) Co.,	Purchases	\$ 355	
ATP Electronics Taiwan Inc.	"	383	
Value-Plus Technology (Suzhou) Co.	"	294	
Other (balance of each client			
has not exceeded 5% of	"		
total account balance)		<u>7</u>	
		<u>\$ 1,039</u>	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 15

Creditor	Description	Amount	Contract Period	Interest Rate	Collateral	Note
First Commercial Bank	Unsecured borrowings; pays interest monthly and principal periodically.	\$ 220,694	September 2021 ~ September 2026	0.6%~1.1%	None	
First Commercial Bank	Secured borrowings; pays interest monthly and pays principal at maturity.	30,000	December 2021 ~ May 2023	1.10%	Buildings and structures	
Mega International Commercial Bank	Unsecured borrowings; pays interest monthly and principal periodically.	237,700	August 2021 ~ December 2026	0.6%~1.1%	None	
CTBC BANK Co., Ltd.	Unsecured borrowings; pays interest monthly and principal periodically.	100,000	September 2021 ~ September 2028	0.60%	None	
Far Eastern International Bank	Secured borrowings; pays interest monthly and pays principal periodically.	60,000	December 2021 ~ December 2024	1.05%	Machinery and equipment	
		<u>648,394</u>				
	Less: Matured within one year	<u>( 60,700)</u>				
		<u>\$ 587,694</u>				

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF OPERATING REVENUE  
YEAR ENDED DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 16

<u>Item</u>	<u>Volume (in thousand)</u>	<u>Amount</u>	<u>Note</u>
Plastic package business of IC	1,350,431	\$ 10,532,776	
Electronic manufacturing service	80,977	4,294,479	
Testing revenue	621,036	756,551	
Others		<u>121,826</u>	
Total		15,705,632	
Less: Sales returns		( 858)	
Sales discounts and allowances		<u>( 33,832)</u>	
Operating revenue, net		<u>\$ 15,670,942</u>	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF OPERATING COSTS  
YEAR ENDED DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 17

Item	Amount
Self-manufacturing:	
Purchases in the period	\$ 7,263,002
Add: Raw materials at beginning of year	1,130,042
Less: Ending balance of raw materials	( 1,691,555)
Raw materials sold	( 502,641)
Transferred to manufacturing expenses	( 623,578)
Loss on physical inventory	( 54)
Loss on scrapping inventory	( 11,489)
Used in the year	5,563,727
Direct labor	2,066,190
Overhead	4,174,562
Manufacturing cost	11,804,479
Add: Beginning work in progress	141,969
Beginning work in progress - assets recognised from costs to fulfil contracts with customers	159,442
Less: Ending work in progress	( 233,373)
Work in progress - assets recognised from costs to fulfil contracts with customers	( 122,655)
Selling work in progress	( 67,321)
Transferred to manufacturing expenses	( 26)
Cost of finished goods	11,682,515
Add: Finished goods at beginning of year	34,863
Finished goods at beginning of year - assets recognised from costs to fulfil contracts with customers	119,658
Less: Finished goods at end of year	( 26,383)
Finished goods - assets recognised from costs to fulfil contracts with customers	( 128,041)
Transferred to expenses	( 6,732)
Loss on scrapping inventory	( 996)
Operating costs - finished goods	11,674,884
Less: Revenue from sales of scraps	( 17,184)
Total operating costs - self-manufacturing	11,657,700
Trading:	
Operating costs - selling raw materials	497,382
Operating costs - selling materials	5,259
Operating costs - selling work in progress	67,321
Operating costs - triangular trade	538,196
Operating costs - assets recognised from costs to fulfil contracts with customers	( 28,404)
Total operating costs - trading	1,079,754
Other operating costs:	
Inventory valuation loss	6,996
Loss on scrapping inventory	12,485
Loss on physical inventory	54
Total operating cost - other operating costs	19,535
Total operating cost	\$ 12,756,989

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF MAUNFACTURING EXPENSES  
YEAR ENDED DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 18

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Depreciation		\$ 1,213,581	
Salaries		1,068,806	
Indirect expenses		547,118	
Maintenance expenses		345,331	
Utilities expense		391,125	
Other (balance of each expense has not exceeded 5% of total account balance)		<u>608,601</u>	
		<u>\$ 4,174,562</u>	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF SELLING AND MANAGEMENT EXPENSES  
YEAR ENDED DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 19

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salaries		\$ 491,800	
Export expense		61,548	
Other (balance of each expense has not exceeded 5% of total account balance)		<u>154,560</u>	
		<u>\$ 707,908</u>	

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ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
YEAR ENDED DECEMBER 31, 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 20

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salaries		\$ 198,574	
Instruments		24,847	
Computer operating expense		21,549	
Other (balance of each expense has not exceeded 5% of total account balance)		<u>57,058</u>	
		<u>\$ 302,028</u>	

**ORIENT SEMICONDUCTOR ELECTRONICS LIMITED**  
**SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY FUNCTION**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

STATEMENT 21

Function Nature	Year ended December 31, 2021			Year ended December 31, 2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense (Note)	\$ 3,262,927	\$ 780,956	\$ 4,043,883	\$ 2,785,939	\$ 504,912	\$ 3,290,851
Salary expenses	2,668,847	637,413	3,306,260	2,184,592	366,174	2,550,766
Employee restricted shares	-	8,219	8,219	-	27,581	27,581
Labour and health insurance fees	289,127	41,920	331,047	257,396	40,510	297,906
Pension costs	99,915	20,348	120,263	103,384	22,285	125,669
Directors' remuneration	-	24,394	24,394	-	3,175	3,175
Other personnel expenses	205,038	48,662	253,700	240,567	45,187	285,754
Depreciation Expense	1,214,646	47,191	1,261,837	1,367,950	53,019	1,420,969
Amortisation Expense	21,228	15,594	36,822	23,837	27,319	51,156

Note:

Note 1: For the years ended December 31, 2021 and 2020, the Company had 5,413 and 5,910 employees, excluding 6 and 4 non-employee directors , respectively.

Note 2: (1) For the years ended December 31, 2021 and 2020, average employee benefit expense are \$743 and \$557, respectively. (Including salary expenses and employee restricted stocks)

(2) For the years ended December 31, 2021 and 2020, average employees' salary expenses are \$613 and \$436, respectively. (Including salary expenses and employee restricted stocks)

(3) Adjustments of average employees salaries: 40.60%.

(4) The Company has set up an audit committee to substitute supervisor and does not recognise supervisors' remuneration.

(5) The Company has policies of compensation and remuneration which comply with labor acts, external market price level, internal fairness and company's operating performance, such as the salary level of each job and position level. Compensation including monthly salary and various encourage actions and rewards to encourage employees present better performance and motivation for a win-win situation for employers and employees in environment and salaries and benefits.