



# Sigurd Microelectronics Corporation

## Annual Report

### 2019

SIGURD MICROELECTRONICS CORP. 2019 ANNUAL REPORT

Published on April 12, 2020

For the contents, please inquire the “Electronic Books” on the MOPS

Website: <http://mops.twse.com.tw>

Company Website: [http : //www.sigurd.com.tw](http://www.sigurd.com.tw)

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.

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Not applicable
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## One. Report to Shareholders

### I. 2019 Business Results

#### (I) Operating Results for 2019 Business Plan

In 2019, the revenue increased by 5.29% from 2018 to NT\$10,046,619 thousand, and net income after tax was NT\$1,563,561 thousand, representing an increase of 16.06% as compared to 2018.

#### (II) Target Achievement: The Company did not disclose financial forecasts in 2019.

#### (III) Analysis of Financial Revenue/Expenditures and Profitability

The business strategy of the Company has always been prudent and robust, dedicated in the development of professional packaging and testing for niche IC. As such, the financial structure is fairly healthy. The analysis and comparison of financial structure, solvency, and profitability are as follows:

Item		Individual Financial Statements		Consolidated Financial Statements	
		2018	2019	2018	2019
Financial structure	Debts ratio %	38.21	44.61	38.93	45.37
	Long term funds to fixed assets %	196.12	187.25	169.89	169.87
Solvency	Current ratio %	161.82	129.21	238.63	194.46
	Quick ratio %	155.00	123.93	229.96	187.83
Profitability	Return on asset %	7.84	7.42	7.35	7.35
	Return on equity %	12.66	12.28	12.13	12.31
	Net profit margin %	19.67	21.11	14.12	15.56
	Earnings per share (EPS) (after adjustment of ordinary shares) (NT\$)	3.01	3.26	3.01	3.26

#### (IV) Research and development status

##### 1. Review of 2019

- (1) ©Based on the existing 12-inch Wafer Level Chip Scale Package (WLCSP), solder bumping, and Cu-pillar, the Company built an 8-inch WLCSP production line.
- (2) Strengthening the packaging capability of wafer level backend die-processing service (DPS).
- (3) Improved WLCSP's integrated service technology and capability.
- (4) Developed high-yield, low-cost copper wire, and copper-palladium wire packaging technology.
- (5) Improved and upgraded the new generation RF IC automated test

equipment which have gone into mass production.

- (6) Developed the following related testing technologies which have gone into mass production: 5G SOC,IC related to 5G mobile phone, Wi-Fi 6,IC related to True Wireless Stereo (TWS).
- (7) Self-manufacturing of accessories of related testing equipment.
- (8) Upgraded and expanded equipment to adapt to the need of high-speed computing IC, such as bitcoin, graphic chips, and server chips.
- (9) Improved the 7 nanometer testing technology.

## 2.Prospects for the future (2020 and future trends)

- (1) Improving the SOC IC testing techniques for 5G mobile phones.
- (2) Researching and developing 5G related equipment IC testing technology.
- (3) With the increasing popularity and demand for artificial intelligence (AI) applications, the Company collaborates with numerous research institutions and industrial companies to upgrade packaging and testing technologies.
- (4) Researching and developing IC packaging and testing technologies related to Augmented Reality (AR) and Virtual Reality (VR).
- (5) Developing Internet of Things (IoT) related integrated IC packaging and testing technology.
- (6) Developing RF-related packaging and testing technologies, such as Wi-Fi 6, WLAN SOC IC, Near Field Communication (NFC), and Wireless Power.
- (7) Researching and developing packaging and testing technology for MEMS, such as multi-axis accelerator, gyroscope, magnetometer, pressure sensor, temperature, and humidity sensor.
- (8) Developing the related image IC integrated packaging and testing technology:  
3D Codec IC, 3D motion SOC IC, and 8K4K (with a resolution of 7680x4320) video/audio Codec IC related testing technologies.
- (9) Exploring the 5 nanometer packaging and testing technology.
- (10) Expanding the integrated capacity of the WLCSP and improving related technical capabilities.
- (11) Researching GaN-related packaging and testing technology.
- (12) Researching vehicle electronics, Internet of Vehicle related IC packaging/testing technology, and certifications.
- (13) Researching Biometrics recognition (such as fingerprint, iris) related

- IC packaging and testing technology.  
(14) Planning of Smart Factory and machine automation.

## II. 2020 Operation Plan

### (I) 2020 Major Business Direction

In 2020, the global economy was initially recovering gradually. Under product commercialization of 5G initiated by the Mainland manufacturers, many research institutions were originally optimistic about a small growth in the demand of semiconductors, as opposed to the slow down in 2019. However, with the outbreak of the COVID-19 at the end of 2019, affecting more than 20 countries and showing no sign of relief, compounding by the continuation of the US-China trade war which will affect the global economic recovery, the outlook for 2020 will continue to be shrouded by these related factors. The related forecasting agencies are revising the demand growth of semiconductors to fall or flatten in 2020, as opposed to 2019. As such, Sigurd is prudent and careful, adopting a steady development policy to maximize the Company profit.

In 2020, due to the endeavor of the Management, sufficient cash flow was secured to ensure the liquidity of the Company. Further, the Company is striving to expand its competitive capabilities, strengthening product lines with an advantage in economies of scale, expanding differentiated product lines, and expanding prudently, and maintaining a higher overall equipment efficiency.

### (II) Expected sales and its basis

According to the Company's historical data of business revenue, as well as referring to the professional forecasting agencies' prediction for the semiconductor industry and IC packaging industry, and the feedback from customers through the sales unit, although global economic prospect is affected by many unfavorable factors, the Company estimates that the launching of a series of new projects, products and customers, and other measures in 2020, will provide momentum to the expected sales volume and revenue, and thus remain cautiously optimistic.

### (III) Important production and sales policies

In advent of 2020, our response measures are as followed:

1. Strengthening the prevention of outbreak, and closely monitoring the status of the pandemic, customer needs and raw material supply.
2. Improving employee productivity and factory efficiency.

3. Continuously saving expenses, reducing operating costs, and lowering the break-even point.
4. Developing testing business of high growth products, such as high-speed computing, AI, microelectromechanical Systems (MEMS), mobile IC, RF IC, vehicle electronics, to achieve better profits.
5. Increasing the number and proportion of foreign customers.
6. Improving the packaging business of communication ICs and niche ICs.
7. Strengthening the relationships with strategic alliances with customers.
8. Reviewing and adjusting uncompetitive product lines.
9. Paying attention to market trends and striving for IC businesses orders related to 5G products, vehicle electronics, Internet of Things and wearable devices.
10. Planning Smart Factory and equipment automation.

### III. Strategies for the Future

The future development of Sigurd is Reshaping Value, Technological Innovation, Avoiding Price Competition, and Forming the Blue Sea Strategy of Sigurd. Therefore, Sigurd is constantly repositioning and moving toward developing packaging and testing technologies for niche products.

- (I) Timely adjustment of the organization: based on market and product conditions, timely adjusting the organization to adapt to changes.
- (II) The number of customers in the North American market increased in 2019 compared to 2018. Moreover, the development of the Mainland China market has also produced good results. Therefore, in 2020, in addition to the original North American market, the Company also actively expands the Asian, Mainland Chinese, European, and Japanese markets.
- (III) Expediting the factory construction and manufacturing schedule of Sigurd (Suzhou).
- (IV) Integration and niche testing

Over the years, Sigurd has acquired the testing technology and experience of Mixed Signal, Logic, CIS, Memory, RF, and Power. With a stronghold of technologies, as well as aligning with market trends, Sigurd is moving toward integration and niche products.

#### 1. Integrated Testing Technology

IC products are becoming increasingly complex, and can no longer be simply categorized as Mixed Signal, Logic, CIS, Memory, RF, and Power. The current trend has been moving toward the

integrated IC. Sigurd has accumulated years of testing experience, is confident in manufacturing of products such as SOC (mobile phone, 3G, 4G; Wi-Fi SOC) and MEMS SOC IC, laying the good foundation for technologies in packaging and testing of future 5G related ICs.

## 2. Niche Testing

- (1) High-speed computing-related ICs: such as chips for bitcoin, graphics, and servers.
- (2) Communication-related ICs: 5G communication equipment IC, GPS, Wi-Fi SOC (integrated with Bluetooth and MCU).
- (3) Video/Audio related ICs: Blu-ray disc, 3D, 4K2K and 8K4K video codec IC, HDMI, and HDTV control IC.
- (4) Mobile phone related ICs: e.g. 5G related IC, AI, AP, Baseband SOC, GPS, Light Sensor, Bluetooth, Touch Pad, MEMS (microphone, multi-axial accelerator, magnetic power, temperature and humidity sensor, barometer, and so on), touch panel IC.
- (5) Computer-related ICs: such as graphics chip, USB3.2/USB4.0, Type C, WLAN, touch panel IC, and et cetera.
- (6) Vehicle electronics ICs: such as sensor related IC and microprocessors.

In addition, Sigurd also strengthens the acquiring of foreign customers, in the hope of achieving results in the future.

## 3. Niche packaging

With the development of smaller and lighter electronic products, packaging technology also tends to be miniaturized. To align with this trend, in the packaging technologies, Sigurd is moving toward WLCSP, MEMS, quad flat no leads (QFN), and Light Sensor. QFN and WLCSP packages are not only small in size, low in cost, and high in production yield, they also provide advantages including better coplanarity and heat dissipation capability for high speed and power management circuits.

### (V) Research and development (R&D)

In addition to continuing recruiting industry talents, the Company also develops technologies and communicates intensely with companies, research institutions, and universities.

## IV. The Impact of external competitive environment, regulatory environment, and overall business environment

Most semiconductor research institutes predict that, due to factors such as the outbreak of Wuhan virus, the US-China trade war, the outlook of the global semiconductor industry is not as optimistic as previously estimated. Meanwhile, Taiwan's semiconductor packaging and testing houses have revealed their preliminary plan for capital expenditure in 2020, with a relatively prudent and conservative attitude, to avoid falling into the predicament of oversupply and poor prices in the past. Further, many semiconductor packaging and testing houses in Taiwan are merging in recent years. On the one hand, the production capacity is adjusted, and on the other hand, it also provides order to the overall supply and demand of the semiconductor industry for a healthier development.

1. Favorable factors:

- (1) Politics has gradually stabilized in all regions of the world.
- (2) The undergoing mergers of global semiconductor manufacturers have been prevalent, which is beneficial to Sigurd in securing more orders from its now merged customer entities.
- (3) Even with the impact of the China-US trade war, Mainland China still maintains an economic growth rate of more than 6%. The domestic market is still thriving, driving a wave of demand for electronics (such as mobile phones, LCD TV, and so on).
- (4) Mobile phones brands from Mainland China, such as Huawei, OPPO, and Xiaomi are gradually marking their presence in the global mobile phone market, and opening up emerging markets outside Mainland China, such as India, Russia, Brazil, and et cetera.
- (5) The cost of packaging and testing houses of Mainland China is increasing and getting closer to their counterparts' in Taiwan.
- (6) After the financial tsunami, many IDM companies abroad have reduced their packaging and testing capacity or terminated production lines, which is beneficial for Sigurd to secure more orders from IDM companies.
- (7) New applications such as high-speed computing, deep learning, edge computing, AI, AR/VR, and so on, require high-level processes. Many large international companies choose to place orders in Taiwan, which is beneficial for Sigurd to secure more orders.
- (8) Wearable devices which will bring forth new ideas and the extensive use of the IoT will give rise to a wave of demand for electronic components.
- (9) Automobiles are gradually developing towards energy-saving (hybrid or electric vehicles) and self-driving, which is conducive to the growth of vehicle electronic related ICs.

- (10) With the release of the 5G spectrum, the demand for related equipment is gradually expanding.
- (11) Due to the impact of the US-China trade war, the IC designing companies in Mainland China are launching self-reliant projects on a large scale, in which most of the order of high end products are placed with Taiwanese manufacturers. Therefore, it is beneficial for Sigurd to secure more orders.
- (12) Due to the impact of the Wuhan virus outbreak and labor shortage, the products which were originally planned to be manufactured by the semiconductor factories in Mainland China may be transferred to Taiwan instead. This will also increase Sigurd's business opportunity.

## 2. Unfavorable factors:

- (1) Due to the impact of the Wuhan virus outbreak, labor shortage and other factors, the consumers are less willing to spend, causing demands to fall.
- (2) Due to the impact of the Wuhan virus outbreak, labor shortage and other factors, the supply of raw material is affected. This in turn, affects production.
- (3) Due to the continuation of the US-China trade war and the Wuhan virus outbreak, while China may adjust its economic growth rate downward this year, the growth rate in the next five years is claimed to be well over 6%. However, problems including capital outflow, soaring bad debts, declining housing demand, and excess capacity still persist. If mistakes are made at the policy-making level, the economy will deteriorate severely. As such, the economic growth of Taiwan and the rest of the world sees an increase in uncertainty, affecting the performance of the domestic market and exports.
- (4) Cross-strait relations between Taiwan and Mainland China are full of variables.
- (5) The increase in the life span of mobile phones and replacement time leads to a decrease in demand for 4G mobile phones. For growth to regain momentum, it will depend on the commercialization speed of 5G in the future.

Due to the reasons above, packaging and testing houses are still cautiously optimistic about the prospects of 2020. As for how soon the economy will recover, it will depend on how effective each country is in controlling the Wuhan virus outbreak and how effective the economic revitalization programs of each government are.

Shin-Yang Huang, Chairman

## Two. Company Profile

### I. Company Profile

Date of Establishment/Registration: December 15, 1988.

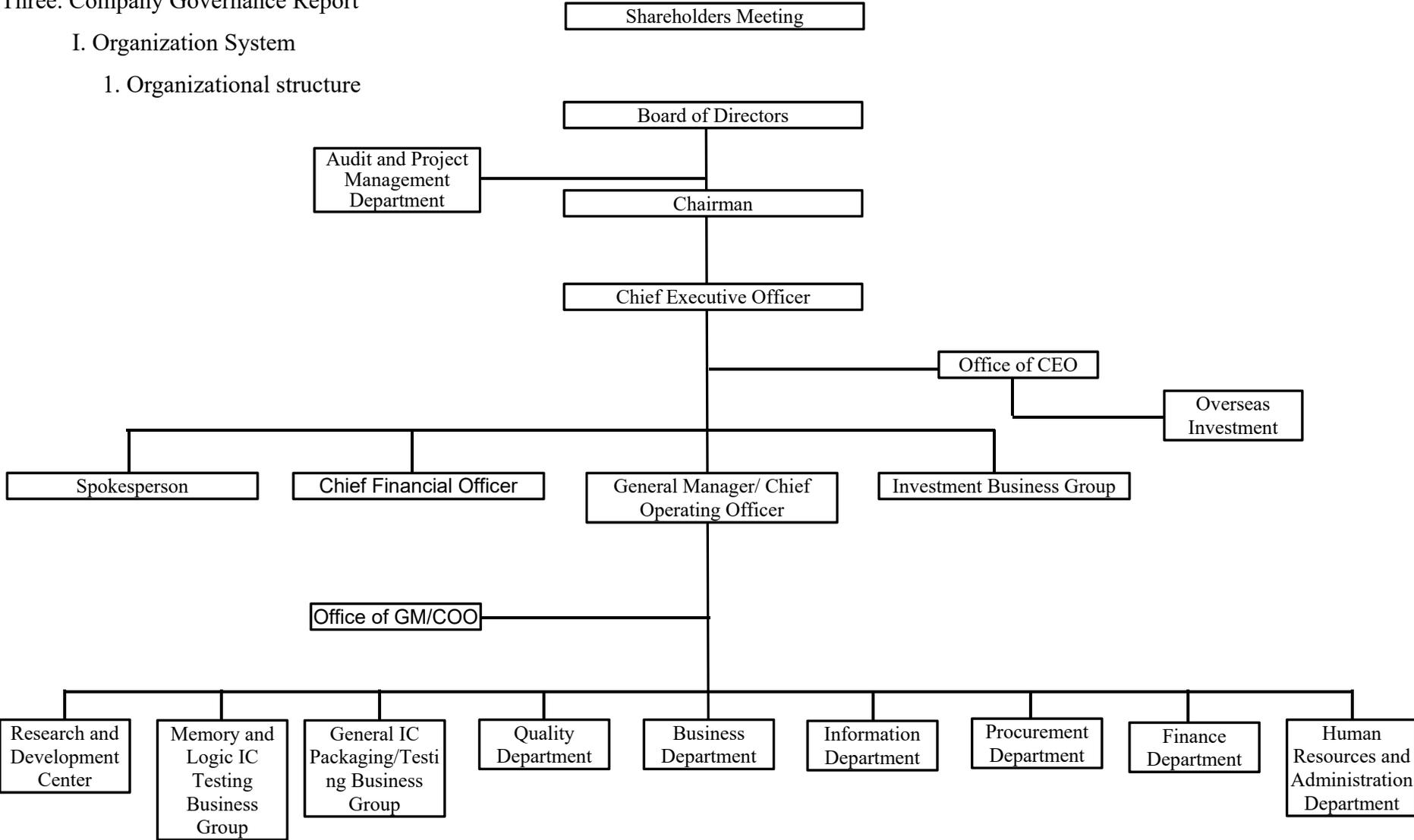
### II. Company History

- 1988 The Company established (originally named: Giant Electronics)
- 1990 Official commencement of production and sales; packaged products from 8L to 40L
- 1992 Expand the plants to 500 ping; the occupied space and the total building space of plants became 1,200 pings
- 1994 Siliconware Precision Industries Co., Ltd. invested the Company and became one of the major shareholders.
- 1998 The Company acquired and merged Sigurd, whose major business was testing, and was renamed as Sigurd Microelectronics Corporation; the turnkey service of packaging and testing started to be provided to our clients.
- 1999 Passed the quality certification ISO9002 for packaging and testing.  
Started the R&D of packaging and testing technologies for CMOS Image Sensor.
- 2001 Started the mass production of CMOS Image Sensor packaging and testing.  
Passed the strict quality certification of TSMC for its suppliers.
- 2002 Significantly expanded the multi-media IC testing.  
Acquired the land, plant, and equipment of "Xin-Chen Technology Co., Ltd.," which also operated in the packaging industry through an auction for expanding the capacity (currently, the Chunghsing Plant).
- 2003 Officially went public-listed and trading shares on August 25.
- 2005 The merge base date with Yu-Tung Global Technology Co., Ltd was March 1.  
The overseas convertible corporate bonds, valued Thirty Million USD, were issued on March 23.
- 2006 The merge base date with Hung-Yu Semiconductor Co., Ltd was June 12, (currently, the HouKou Plant).
- 2007 The Corporate Director, Siliconware Precision Industries Co., Ltd. , resigned from the position of director on November 9.
- 2010 The first unsecured convertible corporate bonds were issued on March 25, for the upper limit of the total amount of One Billion and Two Hundred Million NTD; the issued amount was One Billion NTD.
- 2013 The Beijing 2nd Plant officially operated on February 19.  
Merged Meicer Semiconductor Inc., with May 31 as the merge base date.
- 2014 Certified as an Authorized Economic Operator (AEO) on July 30.
- 2016 New Houkou Plant officially operated on January 8.  
Publicly acquired 70.83% of Test-Serv Co., Ltd.'s stake on January 30.  
With cash consideration for stock conversion, 100% stake of Test-Serv Co., Ltd. was acquired; the base date of conversion was September 1, 2016.
- 2017 On April 24, the 2nd domestic unsecured convertible bonds were issued, the total issued amount was One Billion and Two Hundred and Six Million NTD; the bonds were issued by 100.5% of the face value with zero coupon rate.  
On July 5, the Board of Director resolved the acquisition of stake from the overseas company, Bloomeria Limited (Singapore) with cash, and thus to acquire 51.88% of Winstek Semiconductor Co., Ltd.'s stake. The delivery was done on October 12, and the merge date was October 13.
- 2019 On September 6, Flatek Co., Ltd. was invested with One Hundred Million NTD in cash.  
On August 27, Ambersan Medical Technology Co., Ltd. was invested.  
On September 27, the Investment Commission, MOEA approved the investment of Forty-Five Million USD in Suzhou, China.  
On October 15, the 3rd domestic unsecured convertible bonds were issued, the total issued amount was One Billion and Two Hundred and Six Million NTD; the bonds were issued by 100.5% of the face value with zero coupon rate.  
The cash capital increase base date was November 15, to issue 17,000,000 new shares to increase capital; the amount of capital was NTD 170,000,000.
- 2020 On March 12, Gexing Co., Ltd. was invested.

Three. Company Governance Report

I. Organization System

1. Organizational structure



## 2. Business of each major department

Department	Function
Audit and Project Management Department	Implementation of the internal audit system, and execution of projects.
Office of CEO	Major function is to decide the holistic operation of all businesses of the Group; the day-to-day operations include: the approaches regarding finance and business; the addition/reduction to the business scopes; participation to the decision making of the Board of Directors; executions of resolutions of the Board of Directors; regular business reports and annual reports presented to the Board of Directors. Entrenchment and solidification of corporate cultures; construction of the Group; adjustments to the organizational structures; establishment of systems and processes.
Office of GM/COO	Responsible to the organization and coordination for completing the Company's annual operation plans; responsible to the organizations, plans and strategies of the Company's mid- to long term developments, while promoting the annual responsibility guidelines, and drafting and supervising the operational objectives.
Research and Development Center	Design, development, and research of production process technologies and development of technology platforms.
Memory and Logic IC Testing Business Group	In charge of the operation of Memory and Logic IC Testing Business
General IC Packaging/Testing Business Group	In charge of the operation of General IC Packaging/Testing Business Group
Quality Department	Implementation of the QC of the Company and quality/quantity assurance to the clients.
Information Department	Establishment and maintenance of the information environment and application systems.
Procurement Department	Management of procurement and suppliers.
Finance Department	Finance, accounting, shareholder services, and budget management.
Human Resources and Administration Department	Management of human resources and related general affairs.

II. Information on the Company's Directors, supervisors general manager, vice general managers, deputy assistant general managers, and the supervisors of all the Company's divisions and branch Units

(I) Information of Directors

April 12, 2020

Title (Note 1)	Nationality or registration location	Name	Gender	Date of election /inauguration	Term	Date of first election (Note 2)	Shareholdings when elected		Current shareholdings		Shares held by spouses and minor children		Shares held under others' names		Major background/education background (Note 3)	Positions currently concurring in the Company and other companies.	With a spouse or any relative within the second degree of kinship who is an executive, director, or supervisor			Note
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman and CEO	Republic of China	Shin-Yang Huang (1)	Male	June 15, 2017	Three years	April 3, 2002	6,770,284	1.88	7,215,771	1.71	533,495	0.13	0	0.00	Master's Degree of College of Management, National Taiwan University, General Manager of Schlumberger Co., Ltd.	Chairman and CEO of the Company; Director of reinvested companies of the Company Director of Bloomeria Limited Representative of Corporate Director of and Chairman of Winstek Semiconductor Co., Ltd. Representative of the Corporate Director, Ambersan Medical Technology Co., Ltd.	None	None	None	Please refer to
Director/General Manager	Republic of China	Tsan-Lien Yeh (2)	Male	June 15, 2017	Three years	May 18, 2004	2,864,830	0.82	3,409,633	0.81	82,955	0.02	0	0.00	Bachelor of Electrical Engineering, National Chiao Tung University GMB, National Chiao Tung University General Manager of Oh-Xiang Technologies Corporate General Manager of Semiconductor Business, Chroma ATE Inc.	General Manager and COO of the Company; Director of reinvested companies of the Company Director of Bloomeria Limited Representative of Corporate Director of Winstek Semiconductor Co., Ltd.	None	None	None	As following
Director/Chief Financial Officer	Republic of China	Min-Hung Wu	Male	June 15, 2017	Three years	August 19, 1998.	2,930,241	0.81	3,063,938	0.73	0	0.00	0	0.00	Bachelor of Electrical Engineering, National Taiwan Institute of Technology General Manager of Schlumberger Systematic Technologies Co., Ltd.	Chief Financial Officer and Executive Vice General Manager of Sigurd Microelectronics Corporation Director of Reinvested Company of Sigurd Microelectronics Corporation Director of Chen Chun Co., Ltd. Representative of the Corporate Director of Yann Yuan Investment Co., Ltd. Representative of Corporate Director and Elected Chairman of Test-Serv Inc. Director of Bloomeria Limited Representative of Corporate Director of Winstek Semiconductor Co., Ltd.	None	None	None	Attached
Director	Republic of China	Wen-Yuan Lin (3)	Male	June 13, 2005	Three years	June 15, 2017	1,570,247	0.44	1,968,457	0.47	0	0.00	0	0.00	Bachelor of Healthcare Management, Yuanpei University of Medical Technology Director of Sigurd Microelectronics Corporation.	Director of Yang Feng Investment Co., Ltd.	None	None	None	Please refer to

Title (Note 1)	Nationality or registration location	Name	Gender	Date of election/inauguration	Term	Date of first election (Note 2)	Shareholdings when elected		Current shareholdings		Shares held by spouses and minor children		Shares held under others' names		Major background/education background (Note 3)	Positions currently concurring in the Company and other companies.	With a spouse or any relative within the second degree of kinship who is an executive, director, or supervisor			Note
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Director	Republic of China	Ming-Chun Chiu (4)	Male	June 15, 2017	Three years	March 22, 2000	5,681,309	1.58	5,791,769	1.37	1,031,976	0.24	0	0.00	Middle School Diploma, Er Chong Junior High School Chairman of Chun Tang Construction Co., Ltd.	Chairman of Chun Tang Construction Co., Ltd.	None	None	None	Please refer to
Independent Director	Republic of China	Wen-Bin Wu (5)	Male	June 15, 2017	Three years	June 6, 2014	0	0.00	0	0.00	0	0.00	0	0.00	MBA, College of Management, National Taiwan University Department of Electrical Engineering at Tatung Engineering College	Head of Remuneration & Audit Committees of Sigurd Microelectronics Corporation Chairman and General Manager of FineStar Technologies Inc. Independent Director and Head of Remuneration Committee of Good Will Instrument Co., Ltd.	None	None	None	As
Independent Director	Republic of China	Chun-Rong Lu	Male	June 15, 2017	Three years	June 22, 2011	992	0.00	992	0.00	427	0.00	0	0.00	Bachelor of Communication Engineering, National Chiao Tung University	Member of Remuneration & Audit Committees of Sigurd Microelectronics Corporation Director and Senior Vice General Manager of Sales Department of Jih Lin Technology Co., Ltd.	None	None	None	following
Independent Director	Republic of China	Min-Kai Lin (6)	Male	June 15, 2017	Three years	June 15, 2017	0	0.00	0	0.00	0	0.00	0	0.00	MBA in Accounting, College of Management, National Taiwan University Member of Remuneration & Audit Committees of Sigurd Microelectronics Corporation Independent Director of Winstek Semiconductor Co., Ltd.	Member of Remuneration & Audit Committees of Sigurd Microelectronics Corporation Independent Director of Winstek Semiconductor Co., Ltd.	None	None	None	Attached

Note: If the chairperson, general manager, or person holding an equivalent position are the same person or are spouses, the information regarding the reasons, reasonableness, necessity, and countermeasures (such as adding more seats of independent directors, with a majority of directors not concurring employees or managers) shall be disclosed.

The Chairman of the Company concurs with the CEO, to enhance the operational effectiveness and execution of decisions for the Group, while strengthening the independence of the Board of Directors. The Company has been actively cultivating excellent talents internally. The Chairman closely and sufficiently communicates the operating status and guidelines of plans with the Board of Directors often, to implement the corporate governance. In the future, the Company is prudentially assessing and planning to enhance the functions of the Board of Directors and oversight via adding more seats of independent directors. Currently the Company has the following measures in place:

1. The three current independent directors have specialties in finance/accounting, electronics, and semiconductor areas, respectively, so that they may effectively oversee everything.
2. Each director is arranged to have professional training every year, to enhance the effectiveness of the Board of Directors' operations.
3. Independent directors may discuss sufficiently and provide opinions in each functional committee, for the Board of Directors to refer to, as one of the practices of corporate governance.
4. Among the current directors, most of them do not concur with the Company's employees or managers.

#### Explanation

- (1) Mr. Shin-Yang Huang was firstly elected as a director on August 19, 1998; and elected as the Chairman on April 3, 2002.
- (2) Mr. Tsan-Lien Yeh was firstly elected as a supervisor on August 19, 1998; he resigned from the position of supervisor on February 17, 2004; he was elected as a director on May 18, 2004.
- (3) The Corporate Director, Siliconware Precision Industries Co., Ltd. re-assigned their representative as Mr. Wen-Yuan Lin on March 31, 2002. On December 30, 2002, the representative of Siliconware Precision Industries Co., Ltd. became the Company's director; on June 13, 2005, he was elected as a director as an individual, and the term started from December 30, 2005; on January 31, he retired from the position of Special Assistant, General Manager's Office, Sigurd Microelectronics Corporation.
- (4) Mr. Ming-Chun Chiu had been a director of the Company when the Company was founded in 1989; from March 22, 2000 to June 22, 2011, he was a supervisor; on June 22, 2011, he was elected as a director.
- (5) Mr. Wen-Bin Wu was elected as an independent director in the AGM on June 6, 2014.
- (6) Mr. Min-Kai Lin was elected as an independent director in the AGM on June 15, 2017.
- (7) As the Company established the Audit Committee to replace supervisors in 2017, all directors were re-elected; three seats of independent directors were elected; three supervisors, Mr. Yung-Sung Tsai, Ms. Hsing-Fang Kuo from Cheng-He Investment Corporation, and Ms. Chi-Fang Liang were discharged when the full re-election of directors held in the AGM on June 15, 2017.
- (8) Mr. Wen-Tsung Lee elected as a supervisor on June 13, 2008; he resigned from the position of supervisor on May 4, 2009; he was elected as a director in the AGM on June 22, 2011, and resigned from the position on April 30, 2018.
- (9) Mr. Hsu-Tung Kuo was elected as a director in the AGM on June 13, 2008; and he resigned from the position on May 4, 2018.

1. Major shareholders of the corporate directors (1) Major shareholders of the corporate directors: not applicable. (2) Any major shareholder of a corporate director who is also a major shareholder: not applicable.

## 2. Information of directors

Date: December 31, 2019

Qualifications	At least 5 years of experience at work and qualified professionally as follows			Conform to independence status (note 2)												The number of other public companies Part-timed as an independent director for
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	11	12	
Name (Note 1)																
Shin-Yang Huang			✓						✓		✓	✓	✓	✓	✓	
Tsan-Lien Yeh			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	
Min-Hung Wu			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	
Wen-Yuan Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Ming-Chun Chiu			✓	✓	✓		✓		✓	✓	✓	✓	✓	✓	✓	
Wen-Bin Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chun-Rong Lu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Min-Kai Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

\*From 2017, the Company replaced the authorities of supervisors with the Audit Committee.

Note 1: Please adjust the columns based on the actual demands.

Note 2: Please "✓" the corresponding boxes if the directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates (provided, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded)
- (3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child or in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act (provided, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded).
- (6) Not a director, supervisor, or employee of another company where a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (provided, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded).
- (7) Not a director (or governor), supervisor, or employee of that other company or institution where the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses (provided, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded).
- (8) Not a director, supervisor, manager, or a shareholder holding more than 5% of shares of a specific company or institution with financial or business activities with the Company (provided, if the certain company or institutions holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company; and independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) None of the conditions indicated under Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

(II) Information on the Company's General Manager, Assistant General Managers, Deputy Assistant General Managers, and the Supervisors of All the Company's Divisions and Branch Units

April 12, 2020

Title (Note 1)	Nationality	Name	Gender	Date of election/inauguration	Number of shares held		Shares held by spouses and minor children		Shares held under others' names		Major background/education background	Positions currently concurring in the Company and other companies.	Any other managerial officer who is a spouse or a relative within the second degree of kinship of this person			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman and CEO	Republic of China	Shin-Yang Huang	Male	June 15, 1998	7,215,771	1.71	533,495	0.13	—	—	MBA, College of Management, National Taiwan University General Manager of Schlumberger Co., Ltd.	Director of Reinvested Company of Sigurd Microelectronics Corporation Director of Bloomeria Limited Representative of Corporate Director of and Chairman of Winstek Semiconductor Co., Ltd. Representative of the Corporate Director, Ambersan Medical Technology Co., Ltd. Representative of Corporate Director of and Chairman of Gexing Semiconductor Co., Ltd.	—	—	—	Please refer to
General Manager/ Chief Operating Officer	Republic of China	Tsan-Lien Yeh	Male	March 1, 2004	3,409,633	0.81	82,955	0.02	—	—	Bachelor of Electrical Engineering, National Chiao Tung University G MBA, National Chiao Tung University General Manager of Oh-Xiang Technologies Corporate General Manager of Semiconductor Business, Chroma ATE Inc.	Director of Reinvested Company of Sigurd Microelectronics Corporation Director of Bloomeria Ltd, Singapore Representative of Corporate Director of Winstek Semiconductor Co., Ltd. Representative of Corporate Director and Elected Chairman of Flatek Co., Ltd. Representative of Corporate Director of Gexing Semiconductor Co., Ltd.	—	—	—	As
Vice Chief Operating Officer and General Manager of Business Group	Republic of China	Hsu-Tung Kuo	Male	June 12, 2006	1,978,879	0.47	—	—	—	—	Bachelor of Electrical Engineering, National Cheng Kung University Chairman of Panther Technology Co., Ltd. Executive Vice General Manager and Chief Technology Officer of Walsin Advanced Chairman and General Manager of Advantech Semiconductor Inc.	Director of Reinvested Company of Sigurd Microelectronics Corporation Representative of Corporate Director of Winstek Semiconductor Co., Ltd. Representative of Corporate Director of Flatek Co., Ltd. Chairman of Sigurd (Suzhou) Molelectron Technology Co., Ltd.	—	—	—	following
Chief Financial Officer and Executive Vice General Manager	Republic of China	Min-Hung Wu	Male	April 8, 1997	3,063,938	0.73	—	—	—	—	Bachelor of Electrical Engineering, National Taiwan Institute of Technology General Manager of Schlumberger Systematic Technologies Co., Ltd.	Director of Reinvested Company of Sigurd Microelectronics Corporation Director of Chen Chun Co., Ltd. Representative of the Corporate Director of Yann Yuan Investment Co., Ltd. Representative of Corporate Director and Elected Chairman of	—	—	—	Attached

Title (Note 1)	Nationality	Name	Gender	Date of election/inauguration	Number of shares held		Shares held by spouses and minor children		Shares held under others' names		Major background/education background	Positions currently concurring in the Company and other companies.	Any other managerial officer who is a spouse or a relative within the second degree of kinship of this person			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
												Test-Serv Inc. Director of Bloomeria Limited Representative of Corporate Director of Winstek Semiconductor Co., Ltd. Representative of Corporate Director and Elected Chairman of Flatek Co., Ltd. Representative of Corporate Director of Gexing Semiconductor Co., Ltd.				
Senior Vice General Manager	Republic of China	Kuang-Shun Yang	Male	July 21, 2004	796,624	0.19	1,031	0.00	—	—	Master of Business Administration in Management of Technology, National Tsing Hua University Department of Industrial Engineering and Management, Minghsin College of Science and Technology General Manager, Multitest Electronic System (Taiwan)	Representative of Corporate Director of Test-Serv Co., Ltd.	—	—	—	
Senior Vice General Manager	Republic of China	Chao-Hung Hsieh	Male	January 1, 2006	566,469	0.13	—	—	—	—	Department of Chemical Engineering, Yuan Ze Engineering College Sales Manager of Customer Service, Xifeng Co., Ltd.	Representative of Corporate Director of Winstek Semiconductor Co., Ltd. Director of Sigurd (Suzhou) Molelectron Technology Co., Ltd. Representative of Corporate Director of Flatek Co., Ltd.	—	—	—	
Vice General Manager	Republic of China	Chin-Te, Kuo	Male	January 1, 2006	796,814	0.19	50,426	0.01	—	—	Department of Electronic Engineering, Minghsin College of Science and Technology Section Head, Engineering Department, Holtek Semiconductor Inc.	—	—	—	—	Please refer to
Vice General Manager	Republic of China	Hsu-Ming Tsou	Male	January 1, 2010	648,233	0.15	—	—	—	—	Institute of Material Science and Engineering, National Taiwan University Aegis Semiconductor Technology Inc.	Director of Sigurd (Suzhou) Molelectron Technology Co., Ltd.	—	—	—	
Vice General Manager	Republic of China	Wen-Hao Su	Male	October 1, 2013	304,651	0.07	—	—	—	—	Department of Electronics, Taipei Engineering Junior College Vice Manager of Meijing Industrial Co., Ltd. Manager of Yongmao Technology Co., Ltd. Chief, Logic Testing Plant, Advantech Semiconductor Inc.	Director of Sigurd (Suzhou) Molelectron Technology Co., Ltd.	—	—	—	
Vice General Manager and Head of R&D	Republic of China	Ching-Cheng Tien	Male	August 1, 2019	90,000	0.02	—	—	—	—	PhD, Electrical Engineering, National Chiao Tung University Independent Director of Subtron Technology Co., Ltd. Director of Huada Bio-Technology Co., Ltd.	—	—	—	—	As
Senior Assistant General Manager	Republic of China	Jui-Chen Feng	Female	April 1, 2002	1,244,841	0.30	—	—	—	—	Master of Business Administration in Management of Technology, National Tsing Hua University Vice Manager of Procurement.	—	—	—	—	

Title (Note 1)	Nationality	Name	Gender	Date of election/inauguration	Number of shares held		Shares held by spouses and minor children		Shares held under others' names		Major background/education background	Positions currently concurring in the Company and other companies.	Any other managerial officer who is a spouse or a relative within the second degree of kinship of this person			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
											Herhsiang Information Co., Ltd. Head of Administration, Landis and Gyr Communication, Co., Ltd.					
Senior Assistant General Manager	Republic of China	Shi-Hsin Hsu	Male	March 1, 2004	403,336	0.10	300,000	0.07	—	—	Department of Industrial Engineering, Tunghai University Sales Manager of Oh-Xiang Technologies Corporate	Representative of the Corporate Director, Ambersan Medical Technology Co., Ltd.	—	—	—	
Assistant General Manager	Republic of China	Wen-Gui Huang	Male	October 11, 2013	107,598	0.03	—	—	—	—	Department of Industrial Engineering, Feng Chia University Assistant General Manager of Sales, Siliconware Precision Industries Co., Ltd. Chief of Packing/Testing, Walton Advanced Engineering, Inc Senior Supervisor for Chien-Yuan IC Plants, Philips	—	—	—	—	following
Assistant General Manager	Republic of China	Wei-Hua, Hsiung	Female	December 18, 2017	107,481	0.03	—	—	—	—	Department of Information Management, Chung Yuan Christian University Chief, Advantech Semiconductor Inc.	—	—	—	—	
Assistant General Manager	Republic of China	Wen-Hsian Lee	Male	November 1, 2019	46,000	0.01	—	—	—	—	Department of Electronic Engineering, Feng Chia University Manager of Customer Service, International Semiconductor Technology Ltd. Chief of QA, Advantech Semiconductor Inc.	—	—	—	—	Attached
Head of Accounting and Chief of Accounting Department	Republic of China	Chi-Chang Chen	Male	March 11, 2020	262,714	0.06	478	0.00	—	—	Department of International Business, Feng Chia University Chief of Accounting, MAG, Mag Technology Co., Ltd. Vice Manager of Finance Department, Advantech Semiconductor Inc.	Representative of Corporate Director of Ene Technology Inc. Supervisor of Ambersan Medical Technology Co., Ltd. Supervisor of Sigurd (Suzhou) Molelectron Technology Co., Ltd.	—	—	—	

Note: If the chairperson, general manager, or person holding an equivalent position are the same person or are spouses, the information regarding the reasons, reasonableness, necessity, and countermeasures (such as adding more seats of independent directors, with a majority of directors not concurring employees or managers) shall be disclosed.

The Chairman of the Company concurs with the CEO, to enhance the operational effectiveness and execution of decisions for the Group, while strengthening the independence of the Board of Directors. The Company has been actively cultivating excellent talents internally. The Chairman closely and sufficiently communicates the operating status and guidelines of plans with the Board of Directors often, to implement the corporate governance. In the future, the Company is prudentially assessing and planning to enhance the functions of the Board of Directors and oversight via adding more seats of independent directors, or taking accounts of managers. Currently the Company has the following measures in place:

1. The three current independent directors have specialties in finance/accounting, electronics, and semiconductor areas, respectively, so that they may effectively oversee everything.
2. Each director is arranged to have professional training every year, to enhance the effectiveness of the Board of Directors' operations.
3. Independent directors may discuss sufficiently and provide opinions in each functional committee, for the Board of Directors to refer to, as one of the practices of corporate governance.
4. Among the current directors, most of them do not concur with the Company's employees or managers.

### III. Remunerations paid to the directors, supervisors, general managers, and vice general managers in the recent years

#### 1-1 Remunerations to directors and independent directors (to disclose individual remuneration information with the name(s))

Unit: NTD Thousand Dollars

Title	Name	Remuneration of Directors								After-tax earnings ratio of the sum of A, B, C, and D (Note 10)	Relevant remunerations received by Directors who are also employees								Percentage of total amount of A, B, C, D, E, F, and G to net income after tax (Note 10)		Claim of remunerations from re-invested businesses other than subsidiaries or the parent company (Note 11)				
		Remuneration (A) (Note 2)		Retiring allowance/severance (B)		Remuneration to Directors (C) (Note 3)		Businesses execution expenses (D) (Note 4)			Salary, bonus, and special disbursement (E) (Note 5)		Retiring allowance/severance (F)		Employees' compensation (G) (Note 6)				Shares may be subscribed with employees' warrants			Obtained new shares from the restricted employee rights			
		The Company	All the companies in the financial reports (Note 7)	The Company	All the companies in the financial reports (Note 7)	The Company	All the companies in the financial reports (Note 7)	The Company	All the companies in the financial reports (Note 7)		The Company	All the companies in the financial reports (Note 7)	The Company	All the companies in the financial reports (Note 7)	The Company		All the companies in the financial reports (Note 7)		The Company	All the companies in the financial reports		The Company	All the companies in the financial reports	The Company	All the companies in the financial reports
Chairman	Shin-Yang Huang	—	—	—	—	5,556	10,355	—	—	0.43	0.80	18,632	18,632	—	—	15,350	—	15,350	—	—	—	—	3.05	3.43	None
Director	Tsan-Lien Yeh	—	—	—	—	2,778	3,578	—	—	0.21	0.28	13,712	13,712	—	—	10,347	—	10,347	—	—	—	—	2.07	2.13	None

1. Please specify the payment policy, system, standards, and structure of the remuneration of independent directors, as well as the relevance between the factors, such as their responsibilities, risks, input time, and the amount of paid remuneration: the remunerations to the independent directors, pursuant to the Article of Association, are reviewed by the Remunerations Committee. The participation, contributions, reasonableness of the independent directors to the Company's operations link to their remunerations, and by referring to the payments made by peers, the proposal is made and presented to the Board of Directors for discussion.  
2. Other than the disclosures in the previous table, please specify the remuneration paid to the directors who provided services to any company in the financial statements (such as serving as non-employee advisor) in the recent year: none.

Note 1: The remunerations to directors and employees, have been resolved by the Board of Directors on March 10, 2020; as of the publishing date of the annual report, the name list of employees for the remuneration distribution has not been decided; therefore the said amount is provisional only.

Note 2: Neither the new system nor old pension system is contributed to directors.

#### (1-2-1) Remunerations to directors and independent directors (to disclose aggregate remuneration information with the name(s) indicated for each remuneration range

Title	Name	Remuneration of Directors								After-tax earnings ratio of the sum of A, B, C, and D (Note 10)	Relevant remunerations received by Directors who are also employees								Percentage of total amount of A, B, C, D, E, F, and G to net income after tax (Note 10)		Claim of remunerations from re-invested businesses other than subsidiaries or the parent company (Note 11)				
		Remuneration (A) (Note 2)		Retiring allowance/severance (B)		Remuneration to Directors (C) (Note 3)		Businesses execution expenses (D) (Note 4)			Salary, bonus, and special disbursement (E) (Note 5)		Retiring allowance/severance (F)		Employees' compensation (G) (Note 6)				Shares may be subscribed with employees' warrants			Obtained new shares from the restricted employee rights			
		The Company	All the companies in the financial reports (Note 7)	The Company	All the companies in the financial reports (Note 7)	The Company	All the companies in the financial reports (Note 7)	The Company	All the companies in the financial reports (Note 7)		The Company	All the companies in the financial reports (Note 7)	The Company	All the companies in the financial reports (Note 7)	The Company		All the companies in the financial reports (Note 7)		The Company	All the companies in the financial reports		The Company	All the companies in the financial reports	The Company	All the companies in the financial reports
Director	Min-Hung Wu	—	—	—	—	16,667	17,867	320	320	1.31	1.41	8,729	8,729	—	—	5,720	—	5,720	—	—	—	—	2.43	2.52	None
Director	Wen-Yuan Lin	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Director	Ming-Chun Chiu	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Independent Director	Wen-Bin Wu	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Independent Director	Chun-Rong Lu	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Independent Director	Min-Kai Lin	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

1. Please specify the payment policy, system, standards, and structure of the remuneration of independent directors, as well as the relevance between the factors, such as their responsibilities, risks, input time, and the amount of paid remuneration: the remunerations to the independent directors, pursuant to the Article of Association, are reviewed by the Remunerations Committee. The participation, contributions, reasonableness of the independent directors to the Company's operations link to their remunerations, and by referring to the payments made by peers, the proposal is made and presented to the Board of Directors for discussion.  
2. Other than the disclosures in the previous table, please specify the remuneration paid to the directors who provided services to any company in the financial statements (such as serving as non-employee advisor) in the recent year: none.

(1-2-2) Table of Remuneration Range

Range of remuneration to the Company's Directors	Name of Directors			
	Total amount of the first four remunerations (A+B+C+D)		Total amount of the first seven remunerations (A+B+C+D+E+F+G)	
	The company (note 8)	Companies in the financial statements (Note 9) H	The company (note 8)	Companies in the financial statements (Note 9) I
Less than NT\$1,000,000				
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)				
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	Min-Hung Wu, Wen-Yuan Lin, Ming-Chun Chiu, Wen-Bin Wu, Chun-Rong Lu, and Min-Kai Lin	Wen-Yuan Lin, Ming-Chun Chiu, Wen-Bin Wu, Chun-Rong Lu, and Min-Kai Lin	Wen-Yuan Lin, Ming-Chun Chiu, Wen-Bin Wu, Chun-Rong Lu, and Min-Kai Lin	Wen-Yuan Lin, Ming-Chun Chiu, Wen-Bin Wu, Chun-Rong Lu, and Min-Kai Lin
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)		Min-Hung Wu		
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)				
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)			Min-Hung Wu	Min-Hung Wu
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)				
Over NT\$100,000,000				
Total	6	6	6	6

(2-2) Remuneration paid to Supervisors (to disclose aggregate remuneration information with the name(s) indicated for each remuneration range): None; The Company has established the Audit Committee in 2017, to replace the supervisors with the Committee.

**(3-2-1) Remunerations for the General Manager and Vice General Manager (3-1 Individual /3-2-1 to disclose aggregate remuneration information with the name(s) indicated for each remuneration range)**

Unit: NTD Thousand Dollars

Title	Name	Salaries (A) (Note 2)		Retiring allowance/severance (B)		Bonus and special expenditure (C) (Note 3)		Employee remunerations (D) (Note 4)				After-tax earnings ratio of the sum of A, B, C, and D (%) (Note 8)		Claim of remunerations from re-invested businesses other than subsidiaries or the parent company (Note 9)
		The Company	All the companies in the financial reports (Note 5)	The Company	All the companies in the financial reports (Note 5)	The Company	All the companies in the financial reports (Note 5)	The Company		All the companies in the financial reports (Note 5)		The Company	All the companies in the financial reports	
								Cash Amount	Shares Amount	Cash Amount	Shares Amount			
Chief Executive Officer	Shin-Yang Huang	39,004	39,004	1,003	1,003	38,120	38,120	54,158	0	54,158	0	10.22	10.22	0
General Manager	Tsan-Lien Yeh													
General Manager of the Business Group	Hsu-Tung Kuo													
Chief Financial Officer	Min-Hung Wu													
Senior/ Vice General Manager	Kuang-Shun Yang													
	Chao-Hung Hsieh													
	Chin-Te, Kuo													
	Hsu-Ming Tsou													
	Wen-Hao Su													
	Ching-Cheng Tien (Note)													

\*Regardless of the title, all positions equivalent to general managers and vice general managers (e.g. president, CEO, directors, among other things) shall be disclosed.

Note: on August 1, 2019, newly appointed as the head of R&D and vice general manager.

Note 1: The remunerations to employees have been resolved by the Board of Directors on March 10, 2020; as of the publishing date of the annual report, the name list of employees for the remuneration distribution has not been decided; therefore the said amount is provisional only.

Note 2: The contribution under the new pension system was NTD 585,000; the contribution under the old pension system was NTD 417,600.

(3-2-2) Table of Remuneration Range

Remuneration Range of Payments to Each General Manager and Vice General Manager of the Company	Name of general manager/vice general manager	
	The Company	All the companies in the financial reports (Note 7) E
Less than NT\$1,000,000		
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Ching-Cheng Tien (Note 2)	Ching-Cheng Tien (Note 2)
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Chin-Te, Kuo	Chin-Te, Kuo
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Kuang-Shun Yang, Hsu-Ming Tsou, and Wen-Hao Su	Kuang-Shun Yang, Hsu-Ming Tsou, and Wen-Hao Su
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	Min-Hung Wu and Chao-Hung Hsieh	Min-Hung Wu and Chao-Hung Hsieh
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	Tsan-Lien Yeh and Hsu-Tung Kuo	Tsan-Lien Yeh and Hsu-Tung Kuo
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	Shin-Yang Huang	Shin-Yang Huang
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)		
Over NT\$100,000,000		
Total		

Note 1: The remunerations to employees have been resolved by the Board of Directors on March 14, 2019; as of the publishing date of the annual report, the name list of employees for the remuneration distribution has not been decided; therefore the said amount is provisional only.

Note 2: on August 1, 2019, newly appointed as the head of R&D and vice general manager.

(4-1) The top five executives with highest remunerations of TWSE/TPEX Listed Companies: not applicable.

**Table 1-3**

**Managers received the distributed remunerations and their status**

	Title	Name	Amount in shares	Amount in cash	Total	Total amount to after-tax earnings ratio (%)
Manager	Chief Executive Officer	Shin-Yang Huang	0	59,275	59,275	4.58
	General Manager	Tsan-Lien Yeh				
	General Manager of the Business Group	Hsu-Tung Kuo				
	Chief Financial Officer	Min-Hung Wu				
	Senior/ Vice General Manager	Kuang-Shun Yang				
		Chao-Hung Hsieh				
		Chin-Te, Kuo				
		Hsu-Ming Tsou				
		Wen-Hao Su				
		Ching-Cheng Tien (Note 2)				
	Senior/ Assistant General Manager	Jui-Chen Feng				
		Shi-Hsin Hsu				
		Wen-Gui Huang				
		Wei-Hua, Hsiung				
		Wen-Hsien Lee (Note 3)				
	Head of Accounting and Chief of Accounting Department	Chi-Chang Chen				

Note 1: The remunerations to employees have been resolved by the Board of Directors on March 14, 2019; as of the publishing date of the annual report, the name list of employees for the remuneration distribution has not been decided; therefore the said amount is provisional only.

Note 2: on August 1, 2019, newly appointed as the head of R&D and vice general manager.

Note 3: on November 1, 2019, promoted from Chief to Assistant General Manager.

Note 4: on March 11, promoted to Head of Accounting

(III) Compare and describe separately the analysis of ratios of total remunerations paid to directors, supervisors, general managers, and vice general managers of the Company for the past two years by the Company and all companies in the Consolidated Report in after-tax earnings indicated in the entity or individual financial reports and describe correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and management efficacy and risks in the future.

The remunerations to the Chairman and directors, pursuant to the Articles of Association, are authorized to the Board of Directors to decided based on their participations and contributions to the Company's operations while referring to the domestic/overseas industry levels; for the remunerations of directors and supervisors, these are assessed by the Remuneration Committed and proposed to the Board of Directors. The Board of Directors resolve the proposal based on the earnings of the year and the percentage of distribution set forth in the Articles of Association, for the ratification of the Shareholders' Meeting. In addition, the compensation paid to the general managers and vice general managers consists of salaries, bonuses, and employee remunerations. These are handled based on the HR regulations of the Company, and proposed to the Board of Directors for resolutions, pursuant to the Company Act.

The standards, structure, or system of compensation paid to directors, general managers and vice general managers, have taken into account of the industry growth of the coming years, the expansion strategies of the Company, and the cash flow, so that the Company has ample funds to respond to the uncertain operational risks.

Title	Total amount of remunerations to after-tax earnings ratio (%) of the Company, 2018	Total amount of remunerations to after-tax earnings ratio (%) of all companies in the financial report, 2018	Title	Total amount of remunerations to after-tax earnings ratio (%) of the Company, 2019	Total amount of remunerations to after-tax earnings ratio (%) of all companies in the financial report, 2019
Directors, supervisors, general managers, and vice general managers	12.95	13.58	Directors, general managers, and vice general managers	12.18	12.77

Note : This has been resolved by the Board of Directors on March 10, 2020; as of the publishing date of the annual report, the name list of employees for the remuneration distribution has not been decided; therefore the said amount is provisional only.

#### IV. Corporate Governance

(I) (1) Board of Directors: Throughout 2019, the Board of Directors met seven times (A); attendance of directors and supervisors is as follows:

Title	Name	Actual frequency of attendance (being seated) in meetings (B)	Frequency of attendance through proxy	Actual attendance (being seated) rate (B/A)	Note
Chairman	Shin-Yang Huang	6	1	85.71%	
Director	Tsan-Lien Yeh	7	0	100%	
Director	Min-Hung Wu	7	0	100%	
Director	Wen-Yuan Lin	6	1	85.71%	
Director	Ming-Chun Chiu	7	0	100%	
Independent Director	Wen-Bin Wu	7	0	100%	
Independent Director	Chun-Rong Lu	7	0	100%	
Independent Director	Min-Kai Lin	7	0	100%	

Note, Director, Mr. Wen-Tsung Lee resigned from director on April 30, 2018; Director, Mr. Hsu-Tung Kuo resigned from director on May 4, 2018  
Other details to be documented:

I. In case of any following situation during the operation of the Board of Directors, the date, meeting, description of proposal, opinions from all independent directors, and the Company's treatment to such opinions shall be specified.  
(I) Matters specified in Paragraph 3, Article 14, Securities and Exchange Act:

Date	Meeting	Description of proposal	Resolution Outcome	Independent Director or Opinion	Objection or reserved opinion of Independent Directors	The Company's treatment to Independent Directors' opinions
March 14, 2019	1st Meeting of 2019	1. Proposal of appointing/discharging the head of accounting	The proposal was passed without objection by all attending directors	None	None	None
		Proposal to distribute the remunerations/compensations to managers and the 2018 employee bonuses	The proposal was passed without objection by all attending directors	None	None	None
		3. Proposal to distribute remuneration to the directors for 2018	The proposal was passed without objection by all attending directors	None	None	None
		4. Proposal of common share conversions requiring new share issuance, pursuant to the "Guidelines of the 2nd Domestic Unsecured Convertible Bonds"	The proposal was passed without objection by all attending directors	None	None	None
		5. Passed the proposal of the Internal Control System Statement of 2018	The proposal was passed without objection by all attending directors	None	None	None
		6. Proposal of amendments to the Procedures for Acquisition or Disposal of Assets	The proposal was passed without objection by all attending directors	None	None	None

		7. Proposal of amendments to the Procedures for Providing Endorsements/Guarantees.	The proposal was passed without objection by all attending directors	None	None	None
		8. Proposal of amendments to the Procedures for Loaning Funds to Others	The proposal was passed without objection by all attending directors	None	None	None
June 13, 2019	3rd Meeting of 2019	1. Proposal of common share conversions requiring new share issuance, pursuant to the “Guidelines of the 2nd Domestic Unsecured Convertible Bonds”	The proposal was passed without objection by all attending directors	None	None	None
		2. Proposal of long-term investment	The proposal was passed without objection by all attending directors	None	None	None
		3. Proposal of investment in China	The proposal was passed without objection by all attending directors	None	None	None
July 24, 2019	4th Meeting of 2019	Proposal to add capital expenditures for 2019	The proposal was passed without objection by all attending directors	None	None	None
August 7, 2019	5th Meeting of 2019	1. Proposal to amend the internal control system	The proposal was passed without objection by all attending directors	None	None	None
		2. Proposal of common share conversions requiring new share issuance, pursuant to the “Guidelines of the 2nd Domestic Unsecured Convertible Bonds”	The proposal was passed without objection by all attending directors	None	None	None
		3. Proposal to issue the 3rd Domestic Unsecured Convertible Bonds	The proposal was passed without objection by all attending directors	None	None	None
		4. Discussion of the proposal for new share issuance for cash capital increase	The proposal was passed without objection by all attending directors	None	None	None
Date	Meeting	Description of proposal	Resolution Outcome	Independent Director or Opinion	Objection or reserved opinion of Independent Directors	The Company’s treatment to Independent Directors’ opinions
November 7, 2019	5th Meeting of 2019	1. Proposal of delegation of attesting accountants, and assessment to their independence and suitability	The proposal was passed without objection by all attending directors	None	None	None
		2. Proposals of endorsement and guarantee for 2019	The proposal was passed without objection by all attending directors	None	None	None
		3. Proposal of common share conversions requiring new share issuance, pursuant to the “Guidelines of the 2nd	The proposal was passed without objection by all attending directors	None	None	None

		Domestic Unsecured Convertible Bonds”				
December 20, 2019	7th Meeting of 2019	1. Proposal of audit plan for 2020	The proposal was passed without objection by all attending directors	None	None	None
		2. Proposal of budget (operation plan included) for 2020	The proposal was passed without objection by all attending directors	None	None	None
		3. Proposals of endorsement and guarantee for 2020	The proposal was passed without objection by all attending directors	None	None	None

(II) Other than the aforementioned, any resolution of the Board of Directors meetings objected by the independent directors, or with reserved opinions, recorded or by written statements: none.

II. For the enforcement of recusal upon conflicts of interest among directors, the name of the director, content of the proposal, reason for the recusal, and participation in the voting process or not shall be described:

Time of Board of Directors meetings	Description of proposal	Recusal Name of Director(s)	Reason of recusal	Status of voting/ implementation
1st Meeting of the Board of Directors, 2019 (March 14, 2019)	1. Proposal to distribute the remunerations/compensations to managers and the 2018 employee bonuses	Shin-Yang Huang, Chairman and CEO; Tsan-Lien Yeh, Director/General Manager; Min-Hung Wu, Director/Chief Financial Officer	are stakeholders	as they are stakeholders; the acting chair, Director Wen-Bin Wu inquired of the attended directors, and passed the proposal without objection.
	2. Proposal to distribute the remunerations to directors for 2018	Shin-Yang Huang, Chairman and CEO; Tsan-Lien Yeh, Director/General Manager; Min-Hung Wu, Director/Chief Financial Officer, Wen-Yuan Lin, Director; Ming-Chun Chiu, Director; Wen-Bin Wu, independent director, Chun-Rong Lu, independent director; and Min-Kai Lin, independent director	are stakeholders	The proposal discusses the remunerations to directors. The directors who were stakeholders recused, and did not participate in the discussion and poll; the acting chair appointed by the chair, Wen-Bin Wu, independent director, inquired of the other attended directors, and passed the proposal without objection. For the proposal discussing the remunerations to independent directors, the independent directors who were stakeholders recused, and did not participate in the discussion and poll; the chair inquired of the other attended directors, and passed the

				proposal without objection.
5th Meeting of the Board of Directors, 2019 (August 7, 2019)	Proposal to distribute the remunerations/compensations to managers and the 2018 employee bonuses.	Shin-Yang Huang, Chairman and CEO; Tsan-Lien Yeh, Director/General Manager; Min-Hung Wu, Director/Chief Financial Officer	are stakeholders	as they are stakeholders; the acting chair, Director Wen-Bin Wu inquired of the attended directors, and passed the proposal without objection.
6th Meeting of the Board of Directors, 2019 (November 7, 2019)	Proposal to relieve the ban of non-competition for managers	Shin-Yang Huang, Chairman and CEO; Tsan-Lien Yeh, Director/General Manager; Min-Hung Wu, Director/Chief Financial Officer	are stakeholders	as they are stakeholders; the acting chair, Director Wen-Bin Wu inquired of the attended directors, and passed the proposal without objection.

### III. Self (or peer) evaluation of the Board of Directors

Cycle of evaluation	Period of evaluation	Method of evaluation	Content of evaluation
Annually	The evaluation was conducted for the performance of the Board of Directors between January 1, 2019 to December 31, 2019.	Self evaluation in the Board of Directors	<ol style="list-style-type: none"> <li>1. The understanding of the goals and missions of the Company</li> <li>2. The awareness to the functions of directors</li> <li>3. The participations to the Company's operation</li> <li>4. The operations and communications of the internal operating relationship</li> <li>5. The professional and continuing educations of directors</li> <li>6. Internal controls</li> </ol>

Implementation of evaluation to the Board of Directors: Prior to Q1 2020, the directors were asked to evaluate the 2019 performances of the Board of Directors and the functional committee.

Via the questionnaires, the directors provided their valuable opinions. By enhancing the effectiveness of the operations of the Board of Directors and the functional committee, the overall competitiveness of the Company is improved and the investor confidence is built.

#### IV. The objectives (such as establishing an audit committee or enhancing information transparency) and implementation of the Board of Directors' functions in the current and the most recent year.

Evaluation:

- (I) The Company has established the Audit Committee and Remuneration Committee to assist the Board of Directors to perform its duties. The Audit Committee and Remuneration Committee consist of the three independent directors of the Company, to enhance the functions of directors and the corporate governance. External experts may be engaged to provide advice if required.
- (II) The duties of the Board of Directors include appointing and overseeing the management, overseeing the operating performance, prevent the conflicts of interests, and ensuring the Company to comply various laws and regulations, the requirements in the Articles of Associations, as well as the resolutions of shareholders meetings. Meetings of the Board of Directors shall be convened at least quarterly, and at least six times every year. The management of the Company reports the operating performance to the Board of Directors, and the Board of Directors resolves the future operation guidelines, and the key policies.

(II) Operation of the Audit Committee: to enhance the corporate governance, the Company has established the Audit Committee in 2017. The Audit Committee consists of the three independent directors of the Company, and the independent director, Wen-Bin Wu is

selected as the convener. The Audit Committee shall meet at least quarterly, and convenes meeting any time if required. In 2019, the Audit Committee had convened seven (A) meetings, and the attendance of each independent director is as the following:

Title	Name	Actual attendance (B)	Frequency of attendance through proxy	Actual attendance rate (%) B/A	Note
Independent Director	Wen-Bin Wu	7	0	100%	
Independent Director	Chun-Rong Lu	7	0	100%	
Independent Director	Min-Kai Lin	7	0	100%	

Other details to be documented:

I. In case of any following situation during the operation of the Audit Committee, the date, meeting, description of proposal, resolutions of the Audit Committee, and the Company's treatment to the Audit Committee's opinions shall be specified.

(I) Matters specified in Paragraph 5, Article 14, Securities and Exchange Act:

Board of Directors/Audit Committee/Dae	Meeting	Description of proposal	Resolutions of the Audit Committee	The Company's treatment to the Audit Committee's opinions
March 14, 2019	11th Meeting, 1st intake	1. Proposal of appointing/discharging the head of accounting 2. Proposal of the 2018 Business Report and Financial Statements. 3. Proposal of earning distribution for 2018 4. Cash Distribution from Capital Reserve 5. Proposal of the Internal Control System Statement of 2018 6. Proposal of common share conversions requiring new share issuance, pursuant to the "Guidelines of the 2nd Domestic Unsecured Convertible Bonds" 7. Proposal of amendments to the Procedures for Acquisition or Disposal of Assets 8. Proposal of amendments to the Articles of Association 9. Proposal of amendments to the Procedures for Providing Endorsements/Guarantees. 10. Proposal of amendments to the Procedures for Loaning Funds to Others	The proposal was passed without objection by all attending members	None
April 30, 2019	12th Meeting, 1st Intake	Financial reports, Q1 2019	The proposal was passed without objection by all attending members	None
June 13, 2019	13th Meeting, 1st Intake	1. Proposal of common share conversions requiring new share issuance, pursuant to the "Guidelines of the 2nd Domestic Unsecured Convertible	The proposal was passed without objection by all attending members	None

		Bonds” 2. Proposal of long-term investment 3. Proposal of investment in China		
July 24, 2019	14th Meeting, 1st Intake	Adding capital expenditures for 2019	The proposal was passed without objection by all attending members	None
August 7, 2019	15th Meeting, 1st Intake	1. Proposal of the financial reports, Q2 2019 2. Proposal to amend the internal control system 3 Proposal of common share conversions requiring new share issuance, pursuant to the “Guidelines of the 2nd Domestic Unsecured Convertible Bonds” 4. Proposal to issue the 3rd Domestic Unsecured Convertible Bonds 5. Discussion to the proposal of new share issuance for cash capital increase	The proposal was passed without objection by all attending members	None
November 7, 2019	16th Meeting, 1st Intake	1. Proposal of delegation of attesting accountants, and assessment to their independence and suitability 2. Proposals of endorsement and guarantee for 2019 3. Proposal of common share conversions requiring new share issuance, pursuant to the “Guidelines of the 2nd Domestic Unsecured Convertible Bonds” 4. Proposal to relieve the ban of non-competition for managers	The proposal was passed without objection by all attending members	None
December 19, 2019	17th Meeting, 1st Intake	1. Proposal of audit plan for 2020 2. Proposal of the material capital expenditures in 2020 3. Proposals of endorsement and guarantee for 2020	The proposal was passed without objection by all attending members	None

(II) Other than the aforementioned matters, other resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors: none.

II. For the enforcement of recusal upon conflicts of interest among independent directors, the name of the independent director, content of the proposal, reason for the recusal, and participation in the voting process or not shall be described: none.

III. Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2019 (which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):

1. The head of Internal Audit reports to the independent directors about the status of the Company’s internal audits; shall there be any material abnormality, the head of Internal Audit will immediately report to the members of the Audit Committee.
2. The independent directors communicate with the CPAs through panel meetings. The CPAs regularly report to the independent directors regarding the audit outcomes of the financial statements and their findings, the reports regarding gazettes of financial and accounting standards, changes to the related securities and taxation regulations, at least twice a year.

When required, intermediate communications to the independent directors may be conducted as well.

**(III) Deviations between the Company’s Corporate Governance and the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes**

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes
	Yes	No	Summary	
I. Does Company follow “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to establish and disclose its corporate governance practices principles?		✓	The Company has not established the corporate governance practices principles.	—
<b>II. Shareholding Structure &amp; Shareholders’ Equity</b>				
(I) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	✓		The Company has established the review standards and guidelines of the operational process for the annual general meeting accepting shareholders’ proposals, and a speaking system to handle the recommendations, questions, disputes of shareholders, and implement the procedure.	Pursuant to the spirit of the procedures, the shareholders’ interests are protected and shareholders are treated fairly; there is no deviance.
(II) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders?	✓		Through the interactions with major shareholders, the Company is able to grasp the lists of major shareholders controlling the Company de facto, and the ultimate controllers of these shareholders.	The “Corporate Governance Best Practice Principles” are conformed to
(III) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?	✓		The Company has clearly divided the authorities and responsibilities for personnel and properties from the affiliates. There is no irregular transaction, and the proper firewall is built.	The “Corporate Governance Best Practice Principles” are conformed to without deviation.
(IV) Has the Company established internal rules prohibiting insider trading on undisclosed information?	✓		The Company has the management guidelines to prevent insider trading in place, which prohibits the insiders of the Company from trading exchangeable securities by using the undisclosed information.	The “Corporate Governance Best Practice Principles” are conformed to without deviation.
<b>III. Composition and Responsibilities of the Board of Directors</b>				
(I) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	✓		For the composition of the Company’s Board of Directors, the diversity of the members are considered from various aspects. They have the required knowledge and capacities of different fields to enable them perform their duties, and the capability to implement. The Chairman Shin-Yang Huang, the Director Tsan-Lien Yeh, Min-Hung Wu, Wen-Yuan Lin, Ming-Chun Chiu, and the Independent Directors, Wen-Bin Wu, Chun-Rong Lu, and Min-Kai Lin, all have the capabilities of operational	The “Corporate Governance Best Practice Principles” are conformed to without deviation.

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and their Causes
	Yes	No	Summary	
			judgement, accounting and finance, operating and managing, risk handling, as well as the industrial knowledge, views of international markets, leadership, and decision-making ability.	
(II) Other than the Remuneration Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?		✓	Other than the Remuneration Committee and the Audit Committee which have been set up already, the Company plans to set up other Board committees based on the needs.	The Remuneration Committee and the Audit Committee have been set up pursuant to laws, and thus The “Corporate Governance Best Practice Principles” are conformed.
(III) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reports the results of performance to the Board of Directors, and uses the results as reference for directors’ remuneration and renewal?	✓		<p>The Company’s Board of Directors have approved the “Guidelines for Evaluating Performance of the Board of Directors,” on August 7, 2019</p> <p>which require the Board of Directors to evaluate the performances of the Board of Directors, directors, the Remuneration Committee and the Audit Committee at least once per year. The internal evaluation shall be conducted for the performance of the current year at the end of each year, pursuant to the Guidelines.</p> <p>The following five major aspects are covered in the measurements of the evaluations against the performance of the Board of Directors:</p> <p>(1) The participations to the Company’s operation</p> <p>(2) The enhancement of the quality of the Board of Directors’ decision-making.</p> <p>(3) The composition and structure of the Board of Directors.</p> <p>(4) The professional and continuing educations of directors</p> <p>(5) Internal controls.</p> <p>The following items are covered in the measurements of the evaluations against the performance of the Directors:</p> <p>(1) The understanding to the goals and missions of the Company</p> <p>(2) The awareness to the functions of directors</p> <p>(3) The participations to the Company’s operation</p> <p>(4) The operations and communications of the internal operating relationship</p>	—

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and their Causes
	Yes	No	Summary	
			<p>(5) The professional and continuing educations of directors</p> <p>(6) Internal controls.</p> <p>The following items are covered in the measurements of the evaluations against the performance of the Remuneration Committee and the Audit Committee:</p> <p>(1)The participations to the Company's operation</p> <p>(2) The awareness to the functions of functional committees</p> <p>(3) The enhancement of the quality of the functional committees' decision-making.</p> <p>(4) The composition and member selection of the functional committees.</p> <p>(5) Internal controls.</p> <p>The evaluation is conducted by the agenda working group through questionnaires.</p> <p>Divided as four parts including the appraisal to the Board of Directors' performance, the appraisal to the directors (self or by peer), the appraisal to the the two functional committees, the Remuneration Committee and the Audit Committee, the Directors evaluate the operations of the Board of Directors and themselves, and the members of the Remuneration Committee and the Audit Committee evaluate the committees they belong to, respectively. The outcomes of such performance evaluations will be referred to when selecting or nominating directors; the outcomes of evaluations against performances of directors and members of the functional committees are referred for deciding their individual remuneration.</p> <p>Prior to Q1 2020, the evaluations against the performances of the Board of Directors, directors, the Remuneration Committee and the Audit Committee were completed. After all questionnaires were recovered, the agenda working group analyzed the said data, and presented the outcomes of these</p>	

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes
	Yes	No	Summary	
			self-evaluation, and the approaches of continuous enhancement in the 1st meeting of the Board of Directors on March 10, 2020, and proposed the possible ways of improvement regarding the suggestions of the Board of Directors. The directors enhance the effectiveness of the Board of Directors' operations, and thus to improve the overall competitiveness of the Company and build the investor confidence, through the questionnaires.	
(IV) Does the Company regularly evaluate its external auditors' independence?	✓		Every year, the Audit Committee reviews the independence of the attesting accountants, to check if they are directors, shareholders, or employees, and if they are non-stakeholders; the Committee evaluates attesting accountants' independence and suitability, and the accounting firm also provide the statement of independence, to be resolved by the Board of Directors. The rotation of the accountants also follow the related guidelines.	The "Corporate Governance Best Practice Principles" are conformed to without deviation.
IV. Does the TWSE/TPEX Listed Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	✓		The Company has established a concurring unit for corporate governance, in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)	The "Corporate Governance Best Practice Principles" are conformed to without deviation.
V. Has the Company established a means of communicating with its Stakeholders None (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	✓		The Company has established a concurring unit to assist the communication with stakeholders, and the "Stakeholder" section is set up at the Company's website, to respond to stakeholders' questions on corporate responsibilities, as required.	The "Corporate Governance Best Practice Principles" are conformed to without deviation.
VI. Has the Company appointed a professional shareholders affairs agency for its Shareholders' Meetings?	✓		The Company has delegated a professional shareholders affairs agency to handle the affairs regard	The "Corporate Governance Best Practice Principles" are conformed to without
VII. Information Disclosure				

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and their Causes
	Yes	No	Summary	
(I) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	✓		The Company has the “Investors” section set up at the Company’s website, to disclose the information regarding its financials, business and corporate governance status?	The “Corporate Governance Best Practice Principles” are conformed to without deviation.
(II) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	✓		The “Investors” section set up at the Company’s website, and the information regarding its financials, business and corporate governance status may also be accessed through the MOPS. Dedicated personnel have been appointed to take charge of information collection and disclosure, to disclose the information of decisions affecting the shareholders and stakeholders fairly and timely. Competent personnel are appointed as the spokespersons and the deputies.	The “Corporate Governance Best Practice Principles” are conformed to without deviation.
(III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?			Currently, the Company does not announce and report the annual financial statements within two months after the end of the fiscal year, but announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline.	The “Corporate Governance Best Practice Principles” are conformed to without deviation.
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	✓		<ol style="list-style-type: none"> <li>1. The Company has established the working rules of employees, and the content is enforced thoroughly, to protect the employees’ interests.</li> <li>2. The Company has established the guidelines of employee retirement, with contributions to the pension funds pursuant to requirements, to provide them stable retirement lives.</li> <li>3. The Company has established the guidelines of prevention from the sexual harassment in workplaces, and handling the complaints, to provide good workplaces to the employees.</li> <li>4. Employees’ interests and care for them: the Company has always taken the approaches of mutual benefits and win-win for harmonious labor relations. The managerial systems are handled pursuant to the labor related laws and regulations.</li> <li>5. Investor relationship: the Company has the spokespersons and deputy spokespersons system in place, to maintain the</li> </ol>	The “Corporate Governance Best Practice Principles” are conformed to without deviation.

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and their Causes
	Yes	No	Summary	
			<p>investor relationship.</p> <p>6. When communicating with employees, suppliers, investors, and stakeholders, the Company always takes the good faith approach, to communicate with them sincerely, and addresses issues in the most reasonable ways. Never once dispute or quarrel occurs.</p> <p>7. Continuing education taken by the directors: please refer to the following.</p> <p>8. The implementation of risk management policies and measure standards of risks: The Company focuses on the major business, and promoting each policies by accommodating related laws and regulations, while establishing</p> <p>9. Implementation of client policies: the Company has professional customer service personnel in place to provide good services and a channel to address clients' questions.</p> <p>10. Insurances bought for directors and supervisors by the Company: the Company buys liability insurances for the directors, supervisors, and key personnel.</p> <p>11. The Company also has established the quality policies, to continuously enhance the product quality. Also the Company's principle of operation is good faith, to take care interests of both shareholders and employees.</p>	
<p>IX. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved: Enhancing the corporate governance, the Ethical Management Principles, Procedures for Ethical Management and Guidelines for Conduct have been established; the English version of the financial reports and annual reports, the Investors section of the external website, and the disclosures of financial and business information are enhanced.</p>				

#### Continuing Educations Taken by the Directors:

Date	Courses taken	Hours of Education (Hours)	Participant
May 23, 2019	Chinese National Association of Industry and Commerce, Taiwan: The risks faced by directors and supervisors, and the practices of liability insurances	3	Independent Director, Wen-Bin Wu
July 23, 2019	Securities and Future Institute: Advanced seminar for the practices of directors and supervisors (independent directors included) as well as the head of corporate governance - the principles and applications of AI	3	Independent Director, Wen-Bin Wu and Min-Kai Lin

Date	Courses taken	Hours of Education (Hours)	Participant
July 31, 2019	Taipei Exchange: Promotion seminar of insiders' shares of the TPex listed Company, Taipei seminar	3	Independent Director, Min-Kai Lin
November 7, 2019	Taiwan Corporate Governance Association: The impacts from the latest changes of the tax laws to enterprises' operation, and the countermeasures	3	Chairman, Shin-Yang Huang; Director Tsan-Lien Yeh, Min-Hung Wu, Ming-Chun Chiu, Wen-Yuan Lin, and Independent Director, Chun-Rong Lu
November 7, 2019	Taiwan Corporate Governance Association: Discussion regarding the strategy of enterprises' employee bonus and compensation, and the applied tools	3	Chairman, Shin-Yang Huang; Director Tsan-Lien Yeh, Min-Hung Wu, Ming-Chun Chiu, Wen-Yuan Lin, and Independent Director, Chun-Rong Lu

(IV) Shall there be a Remuneration Committee established, the composition, responsibilities, and operations shall be disclosed

## 1. Composition of the Remuneration Committee

Identity (Note 1)	Qualifications	At least 5 years of experience at work and qualified professionally as follows			Conform to independence status (note 2)										Number of the companies where such member concurs as a member of the Remuneration Committee	Note		
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10				
Independent Director	Wen-Bin Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Conforming to
Independent Director	Chun-Rong Lu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Conforming to
Independent Director	Min-Kai Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Conforming to

Note 1: Please specify if he/she is a director, independent director, or other.

Note 2: Please “ ” the corresponding boxes if any participant has been any of the following during the two years prior to being elected or during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates (provided, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded)
- (3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child or in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act (provided, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded).
- (6) Not a director, supervisor, or employee of another company where a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (provided, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded).
- (7) Not a director (or governor), supervisor, or employee of that other company or institution where the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses (provided, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded).
- (8) Not a director, supervisor, manager, or a shareholder holding more than 5% of shares of a specific company or institution with financial or business activities with the Company (provided, if the certain company or institutions holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company; and independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent are excluded).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) None of the conditions indicated under Article 30 of the Company Act.

2. Functions of the Remuneration Committee: On a regular basis, evaluate, and establish the remunerations/compensations to directors and managers, and propose to the Board of Directors for discussions.
3. Operations of the Remuneration Committee
  - (1) There are three members in the Company's Remuneration Committee.
  - (2) Term of the Members in the Intake: From June 15, 2017 to June 14, 2020; During 2019, the Remuneration Committee had convened three meetings
    - (A). The qualifications and attendance of each members are as following:

Title	Name	Actual attendance (B)	Frequency of attendance through proxy	Actual attendance rate (%) (B/A) (Note)	Note
Convener (Independent Director)	Wen-Bin Wu	3	0	100%	None
Member (Independent Director)	Chun-Rong Lu	3	0	100%	
Member (Independent Director)	Min-Kai Lin	3	0	100%	

Other details to be documented:

- I. Shall there be any recommendation of the Remuneration Committee not accepted or modified by the Board of Directors, the date, meeting, description of proposal, resolutions of the Board of Directors, and the Company's treatment to the Remuneration Committee (e.g. the remunerations passed by the Board of Directors are better than the Remuneration Committee's recommendation; the deviations and causes shall be specified): None.
- II. Any resolution of the Remuneration Committee objected by any member, or with reserved opinions, recorded or by written statements, the date, meeting, description of proposal, and the opinions of all members, and the treatment to members' opinions shall be specified: none.

Remuneration Committee	Meeting	Description of proposal	Resolutions of the Remuneration Committee	The Company's treatment to the Remuneration Committee's opinions
March 14, 2019	6th Meeting, 3rd Intake	1. Proposal to distribute the remunerations/compensations to managers and the 2018 employee bonuses 2. Proposal to distribute the remunerations to directors	The proposal was passed with consents of all attending members	None
August 7, 2019	7th Meeting, 3rd Intake	1. Preparation of the proposal for managers' remunerations. 2. Proposal of the remuneration to the intended head of R&D	The proposal was passed with consents of all attending members	None
December 20, 2019	8th Meeting, 3rd Intake	Preparation of the proposal for managers' remunerations	The proposal was passed with consents of all attending members	None

- (V) Deviations between the Company's CSR implementations and the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and their Causes

Assessment Items	Implementation Status (Note 1)			Deviations to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and their Causes
	Yes	No	Summary (Note 2)	
I. Does the Company follow materiality principles to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy? (Note 3)		✓	Although the Company has not yet established risk management related policy, the management promotes the activities related to the environment, social contribution, health and safety, and other social responsibilities from time to time, and encourages the employees to participate.	The related systems may be established based on the Company's needs.
II. Does the Company have a dedicated (or concurring) CSR organization with Board of None Directors authorization for senior management, which reports to the Board of Directors?	✓		The Company only has the concurring unit to promote corporate social responsibility; however, we make all possible efforts to promote the enhancement of corporate governance, environment protection, and social welfare.	The dedicated CSR organization may be established based on the Company's needs.
III. Environmental Issues				
(I) Has the Company set an environmental management system designed to industry characteristics?	✓		The Group has been certified with ISO14000 environment management system, to effectively prevent environmental pollution while improving the utilization of resources and energies.	No significant deviation
(II) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	✓		In recent years, the energies are short, the eco environment is destroyed by men, and the earth's carbonization is getting severe. The Company continuously promotes the measures to save energy and reduce carbon, as the countermeasures to the environment changes. 1. Introduction of energy saving equipment for office: the high-performance led lights are applied to effectively save power consumption 2. Implementation of the promotion of energy saving and carbon reduction: the Company promotes energy saving and carbon reduction to encourage the employees to save energies. 3. Recycling of resources: (1) reuse the resources in offices; (2) recycle the packing materials as much as possible and use the green environmental packing materials	No significant deviation
(III) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?	✓		The phenomenon of climate changes countries worldwide are facing and the influences thereof are getting significant, and such phenomenon and influences may indirectly impact the Group's day-to-day operation and the become the risks to the future growth. Currently the related accords and regulations, be it domestic or abroad, have stricter management and restrictions for the emission volume. For the climate changes, the Group will accommodate the governmental policies, and take the reduction of greenhouse gas emissions and use of green products as the strategies, while regularly conducting the counting of greenhouse gas and reduction programs,	No significant deviation

			to ensure the sustainable development of the environment.	
(IV) Does the Company collect data for greenhouse gas emissions, water usage, and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction, and other waste management policies?	✓		The Company regularly collects data for greenhouse gas emissions, water usage, and waste quantity in the past two years, and set policies to reduce water use, save energy, reduce carbon, reduce greenhouse gas. The wastes from life and the general industry are removed by the qualified industrial wastes disposal entity from the plant, to implement the environmental laws and regulations, and confirm the final disposal of the wastes.	No significant deviation
IV. Social Issues				
(I) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	✓		The Company, pursuant to the related labor regulations and by respecting the internationally recognized basic labor human right principles, protects the rightful interests of employees and applies the non-discriminative treatment regarding the employment policy. The Company has established the related management policies and procedures pursuant to regulations and internationally recognized human rights principles, set the employee complaint mechanism and channels, and adequately handle such complaints, so that a safe and healthy workplace is provided to the employees. The health and safety training are provided to the employees regularly, and the regular communication mechanism of employees is established. Shall there be any operational changes possibly affect the employees materially, the employees will be informed with such changes in reasonable ways. Effective career capability cultivation programs are established for the employees. Moreover, the employee manual is prepared as the basis of employee conducts and the guide of their development direction.	No significant deviation
(II) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	✓		The Group complies with the Labor Standard Act and related regulations, to establish various compensation and benefits for the employees, while providing the benefits with market competitiveness as incentives. Based on the well-rounded performance appraisal system, many incentives of remunerations are planned to motivate the employees.	No significant deviation
(III) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	✓		Other than providing a healthy and safe workplace to the employees, and hiring nurses and stationed doctors for consultancy, the following affairs are also handled: physical check and management of physical check data for the employees; free consultation by doctors and nurses for health. The food safety is also taken care of; during summer, light food formulated by nutritionists is provided. Each quarter, the hygiene check of the kitchen environment of the group food provider is conducted. The non-smoking workplace policy by the Government is supported. From time to time, the	No significant deviation

			Company provides health information from time to time, to promote and help the self-check management of the employees.	
(IV) Has the Company established effective career development training plans?	✓		The Company provides effective career capabilities cultivation programs to our employees.	No significant deviation
(V) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' rights and consumer appeal procedures?	✓		The Company has established the handling procedure of client's complaint for the client-first quality system, so that the clients' satisfactions to our products or services are improved, and the needs and expectations of the clients are understood for the references to the product development and improvement and thus the goal of enterprise sustainable operation is achieved.	No significant deviation
(VI) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor rights, and their implementation status?	✓		1. The Procurement Department of the Company has established the "Guide of Suppliers and Contractors Management" to evaluate suppliers. Suppliers who are certified with ISO-9000, or granted with CNS marks by the Government, or other qualified quality marks by foreign governments, may be deemed as excellent suppliers. 2. The Procurement Department also includes the following in the evaluation: whether a supplier had any record of impacting the environment/society, or matters related to ethics, compliance, health and safety mechanism, among other things, as the key reference when selecting suppliers.	No significant deviation
V. Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquired 3rd certification party verification or statement of assurance?	✓		The operation scale of the Group has been growing. The CSR-related information with materiality and reliability is disclosed on the Group's website and the MOPS by the Group.	In the future, the disclosure of CSR-related information with materiality and reliability will be continuously enhanced.
VI. If the Company has established its corporate social responsibility code of practice according to the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" please describe the deviances between its implementation and the code: The Company has not established the "Corporate Social Responsibility Best Practice Principles" of our own, but the Company endeavors to our corporate social responsibility in practices, by promoting the implementations of each CSR and promoting CSR based on the spirits of the "Corporate Social Responsibility Best Practice Principles."				
VII. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility:				
(I) The Company has environmental policies in place, and strives to promote the environmental awareness of the employees, and take the social responsibilities.				
(II) Compliance with the environmental laws and regulations, regular internal audits, and prevention of the products and production process hazardous to the environment; following the green environmental trend, the Company includes energy saving and carbon reduction as an integral part of the management system. The Company has established the dedicated unit and personnel, and has been certified with ISO14001 environmental management system, to maintain the environment management.				
(III) The Company's operation makes all possible efforts to enhance the competitiveness and the health growth of profit, to feedback the shareholders, clients, as well as take care of employees, protect human rights and consumers' rights, while valuing the health and safety of employees, and thus the Company contribute positively to the society.				
(IV) The Company donates to social welfare institutions from time to time, and actively participates the activities of academic groups, sponsors scholarships in private senior high school, and sponsors the environmental equipment to local government, as the fulfillment of the responsibilities to social contributions and social welfare.				
(V) All employees are entitled to the same working rights regardless their gender, races, religions, or political parties. A good workplace is established to protect employees from discrimination or harassment.				
(VI) Compliance with the environmental laws and regulations, regular internal audits, and prevention of the products and production process hazardous to the environment; following the green environmental trend, the Company includes energy saving and carbon reduction as an integral part of the management system.				
(VII) Partnership between industries and academics: the Company has partnership between industries and academics with many technology universities, to provide the internships to these schools, which in turn giving the real assistance to these interns' paper topics, researches, and future careers.				

(VI) Deviations between the Company’s ethical management implementations and the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and their Causes

Assessment Items	Implementation Status			Deviations to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes
	Yes	No	Summary	
<b>I. Establishment of ethical corporate management policy and programs</b>				
(I) Has the Company established its ethical corporate management policies and procedures passed by the Board of Directors, as well as the commitment of its Board of Directors and executives to implementing the management policies in its rules and external documents?	✓		The Company has established the “Ethical Corporate Management Best Practice Principle” and the “Procedures for Ethical Management and Guidelines for Conduct” to actively fulfill the commitment of ethic management made by the Board of Directors and management.	Conformed to
(II) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly and review their adequacy and effectiveness on a regular basis, at least covering the preventive measures to the behaviors specified in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies“?	✓		In the “Procedures for Ethical Management and Guidelines for Conduct” established by the Company, it is specified the guides regarding offering and acceptance of bribes; illegal political donations; improper charitable donations or sponsorship; offering or acceptance of unreasonable presents or hospitality, or other improper benefits; misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights; engaging in unfair competitive practices; and damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.	Conformed to
(III) Has the Company established the operational procedures, guidelines of conduct, punishment for violation, rules of complaint in the program preventing unethical conduct, implemented precisely, and reviewed and/or amended the aforementioned program?	✓		Based on the principles of fairness, honesty, trustworthiness, and transparency, the Group conducts the business activities. To implement the Group’s operating policies, the Company has established the “Ethical Corporate Management Best Practice Principle” and the “Procedures for Ethical Management and Guidelines for Conduct,” to regulate the notable issues when conducting business by the Group’s personnel, specifies operating procedures and guidelines for conducts, disciplinary actions to violations and the appealing system. All these are implemented, and the aforesaid programs are regularly reviewed and amended, with implementation, review, and amendment.	Conformed to
<b>II. Consolidation of Ethical Corporate Management</b>				
(I) Has the Company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?	✓		The Company has evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?	Conformed to
(II) Has the Company established a dedicated unit that	✓		The RBA Promotion Committee is the	Conformed to

Assessment Items	Implementation Status			Deviations to the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and their Causes
	Yes	No	Summary	
is under the board of directors, report the ethical corporate management policies, prevention proposals for unethical behaviors, and their supervision to the implementation, to to the board of directors on a regular basis (at least once a year)?			dedicated unit taking charge of promotion, and reports the implementation to the Board of Directors on a regular basis.	
(III) Has the Company established policies to prevent conflict of interests, provided appropriate channels for filing related complaints and implemented the policies accordingly?	✓		In the “Procedures for Ethical Management and Guidelines for Conduct,” the related parties with conflict of interests shall recuse and not participate in the discussion and resolution.	Conformed to
(IV) Has the Company established effective accounting systems and internal control systems, and the internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans to examine accordingly the compliance with the prevention programs, or engage a certified public accountant to carry out the audit?	✓		The Company has established the effective accounting system and internal control system; the internal auditors conduct the audits based on the annual audit plan as the implementation.	Conformed to
(V) Does the Company hold internal and external educational training on operational integrity regularly?	✓		The Company holds internal and external educational training on operational integrity regularly?	Conformed to
<b>III. Reporting System of the Company</b>				
(I) Has the Company created substantial reporting and incentive systems and convenient reporting channels and assigned suitable dedicated personnel to investigate parties being reported?	✓		The Company provides the uninterrupted channel of complaint, and a dedicated unit is set to handle the related affairs pursuant to the official process.	Conformed to
(II) Has the Company established any standard operating procedures or related confidentiality mechanisms for handling reported matters?	✓		The communication and responses within the Company shall be handled pursuant to the required process, and it is specified that the related managers are responsible for keeping the concerned parties’ information confidential.	Conformed to
(III) Does the Company adopt measures to protect reporters from being treated inappropriately because of their reports?	✓		All the whistle-blowing process is confidential, and the whistleblower is protected from any disciplinary actions due to whistle-blowing.	Conformed to
<b>IV. Reinforced Information Disclosure</b>				
(I) Has the Company disclosed information regarding its ethical corporate management principles and implementation status on its website and the MOPS?	✓		The Company has established the Chinese and English website, and appoints the dedicated personnel in charge of the collection and disclosure of the Company’s information, and implements the spokesperson system.	Generally conformed to
V. If the Company has its own Ethical Corporate Management Rules established according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between its implementation and the principles: the Company has established the “Ethical Corporate Management Best Practice Principles,” and the “Procedures for Ethical Management and Guidelines for Conduct” pursuant to regulations; the implementations are not deviant to these principles.				
VI. Other important information to help understand ethical corporate management and operation (such as the status of reviews/amendments to the Ethical Corporate Management Best Practice Principles):				
(I) The Company complies with the Company Act, the Securities and Exchange Act, the Commerce Accounting Act, and the laws and regulations related to the TWSE or TPEx listed Companies, as the base to implement the ethical management.				
(II) In the Rules of Procedure for Board of Directors Meetings of the Company, the recusal system of the Directors is established. If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.				

Assessment Items	Implementation Status			Deviations to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes
	Yes	No	Summary	
<p>(III) The Company has established the “Managerial Operation to Prevent Insider Trading,” and clearly specifies that no director, manager, or employee with knowledge of material inside information of the Company may divulge the information to others, inquire about or collect any non-public material inside information of the Company not related to their individual duties from a person with knowledge of such information, nor may they disclose to others any non-public material inside information of this Corporation of which they become aware for reasons other than the performance of their duties.</p>				

- (VII) If the Company has established Corporate Governance Principles and related regulations, the inquiry methods shall be disclosed: the Company has the “Ethical Corporate Management Best Practice Principles,” and the “Procedures for Ethical Management and Guidelines for Conduct,” among the related regulations, to effectively supervise the functions of the higher management. In addition, the information, pursuant to the regulations set forth by the competent authorities, is disclosed at the Company’s website and the MOPS for external inquiries. The spokesperson system is also established to respond to the investors’ inquiries. The Company has not yet established any Corporate Governance Principles and related regulations, but in the progress of drafting.
- (VIII) Other important information that is sufficient to boost knowledge of corporate governance shall be disclosed as well
1. Continuing education for directors: please refer to the aforementioned continuing education for directors of 2019
  2. Status of purchasing liability insurance for the Company’s directors and managers: the Company continues to purchase liability insurance for the Company’s directors and managers in 2019.
- (IX) Implementation of the Internal Control System:
1. Internal Control System Statement

## **Sigurd Microelectronics Corporation**

### **Internal Control System Statement**

Date: March 10, 2020

Based on the findings of a self-assessment, Sigurd Microelectronics Corporation states the following with regard to its internal control system during the year 2019:

- I. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and TSMC takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component includes several items. These aforementioned items are set forth in the "Regulations."
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- V. Based on the findings of such evaluation, the Company believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement was passed by the Board of Directors in their meeting held on March 10, 2020, with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Sigurd Microelectronics Corporation

Chairman: Shin-Yang Huang

Signature

General Manager: Tsan-Lien Yeh

Signature

2. If CPA was engaged to conduct a special audit of the internal control system, provide its audit report: not applicable.
- (X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: none.
- (XI) Important decision reached in shareholders' meetings and made by the Board of Directors and the Compensation Committee in the latest year and up to the date this Annual Report was printed:

1. Shareholders Meeting

Date	Resolution	implementation
AGM, June 13, 2019	Adoption of the 2018 Business Report and Financial Statements.	Handled based on the ratified matters in the AGM
	Ratification of the 2018 proposal for earning distribution	Handled based on the ratified matters in the AGM The meeting of the Board of Directors was convened on June 13, 2019, for the matters related to the dividend decision/distribution/completion. The ex-dividend transaction date was decided on July 15, 2019; the period of transfer suspension was July 17, 2019 to July 21, 2019. Base date of dividend distribution: July 21, 2019 Expected date of paying cash dividends: August 2, 2019 Period of conversion suspension of CB2 in 2019: June 26, 2019 to July 21, 2019. II. Proposal to adjust the shareholders' cash bonus distribution percentage for 2018 (adjusted to NT\$1.02992162) III. Proposal to adjust the price of the 2nd domestic unsecured convertible bond. (From NT\$25.8 to NT\$24)
	Proposal of cash distribution from capital reserve.	The cash distributed from earnings and capital reserve was made at the same time. The distribution adjusted the cash distribution percentage of capital reserve (to NT\$1.02992162 per share)
	Approved the proposal of amendments to the Procedures for Providing Endorsements/Guarantees. Approved the proposal of amendments to the Procedures for Loaning Funds to Others Approved the proposal of amendments to the Procedures for Acquisition or Disposal of Assets.	Upon the approval of the shareholders' meeting, on June 26, 2019, the amended Procedures for Providing Endorsements/Guarantees, Procedures for Loaning Funds to Others, and Procedures for Acquisition or Disposal of Assets were uploaded to the MOPS and disclosed on the Company's website. The related operations would be handled pursuant to the amended procedures.
	Approved the proposal of amendments to the Articles of Association.	The amendment was approved by and registered with MOEA, and the related operations would be handled pursuant to the amended procedures on July 18, 2019.

## 2. Board of Directors

Date of Meeting	Key Contents
1st Meeting of the Board of Directors, 2019 March 14, 2019	<ol style="list-style-type: none"> <li>1. Proposal of appointing/discharging the head of accounting, Min-Hung Wu</li> <li>2. Proposal of the 2018 Business Report and Financial Statements.</li> <li>3. Proposal to distribute the remunerations/compensations to managers and the 2018 employee bonuses.</li> <li>4. Proposal to distribute the remunerations to directors for 2018.</li> <li>5. Proposal of earning distribution for 2018.</li> <li>6. Proposal of cash distribution from capital reserve.</li> <li>7. Proposal of common share conversions requiring new share issuance, pursuant to the “Guidelines of the 2nd Domestic Unsecured Convertible Bonds.”</li> <li>8. Passed the proposal of the Internal Control System Statement of 2018</li> <li>9. Proposal of obtaining financing facilities from financial institutions</li> <li>10. Proposal of amendments to the Procedures for Acquisition or Disposal of Assets.</li> <li>11. Proposal of amendments to the Articles of Association.</li> <li>12. Proposal of amendments to the Procedures for Providing Endorsements/Guarantees.</li> <li>13. Proposal of amendments to the Procedures for Loaning Funds to Others</li> <li>14. Drafting the date of 2019 AGM and related affairs</li> </ol>
2nd Meeting of the Board of Directors, 2019 April 30, 2019	Establishing standard operation process to deal with the requests from directors
3rd Meeting of the Board of Directors, 2019 June 13, 2019	<ol style="list-style-type: none"> <li>1. Establishing a proposal of the cash distribution from the earnings and capital reserve, and the dates of subscription and conversion suspension for the 2nd domestic unsecured convertible bonds.</li> <li>2. Proposal to authorize the Chairman to adjust the shareholders’ cash bonus distribution percentage for 2018</li> <li>3. Proposal to adjust the price of the 2nd domestic unsecured convertible bond.</li> <li>4. Proposal of common share conversions requiring new share issuance, pursuant to the “Guidelines of the 2nd Domestic Unsecured Convertible Bonds”</li> <li>5. Proposal of long-term investment.</li> <li>6. Proposal of investment in China.</li> </ol>
4th Meeting of the Board of Directors, 2019 July 24, 2019	Proposal to add capital expenditures for 2019.
5th Meeting of the Board of Directors, 2019 August 7, 2019	<ol style="list-style-type: none"> <li>1. Proposal to establish the guidelines of evaluating the Board of Directors’ performance.</li> <li>2. Proposal to amend the internal control system.</li> <li>3. Proposal to amend the charter of the Remuneration Committee.</li> <li>4. Proposal of common share conversions requiring new share issuance, pursuant to the “Guidelines of the 2nd Domestic Unsecured Convertible Bonds”</li> <li>5. Proposal to issue the 3rd Domestic Unsecured Convertible Bonds.</li> <li>6. Discussion to the proposal of new share issuance for cash capital increase</li> <li>7. Proposal of hiring the head of R&amp;D</li> <li>8. Proposal to distribute the remunerations/compensations to managers and the 2018 employee bonuses.</li> <li>9. Proposal of earning distribution for the first half of 2019.</li> </ol>
6th Meeting of the Board of Directors, 2019 November 7, 2019	<ol style="list-style-type: none"> <li>1. Proposal of delegation of attesting accountants, and assessment to their independence and suitability.</li> <li>2. Proposal to relieve the ban of non-competition for managers.</li> <li>3. Proposals of endorsement and guarantee for 2019.</li> <li>4. Proposal of common share conversions requiring new share issuance, pursuant to the “Guidelines of the 2nd Domestic Unsecured Convertible Bonds.”</li> </ol>
7th Meeting of the Board of Directors, 2019 December 20, 2019	<ol style="list-style-type: none"> <li>1. Proposal of the remunerations to managers.</li> <li>2. Proposal of audit plan for 2020.</li> <li>3. Proposal of budget (operation plan included) for 2020.</li> <li>4. Proposals of endorsement and guarantee for 2020.</li> </ol>

(XII) During the most recent fiscal year up to the date of publication of the annual report, any director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said

dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: none.

(XIII) A summary of resignations and dismissals, during the most recent fiscal year up to the date of publication of the annual report, of the company's chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer

Aggregated table of resignation or discharge of the Company related persons

March 11, 2020

Title	Name	Date of inauguration	Date of discharge	Reason of resignation or discharge
Head of Accounting	Min-Hung Wu	April 21, 1998	December 31, 2018	Internal position adjustment
		March 14, 2019	March 10, 2020	Internal position adjustment
	Chi-Chang Chen	March 11, 2020	-	Internal position adjustment
Head of R&D	Ching-Cheng Tien	August 1, 2019	-	Newly appointed

Note: Company related persons refer to the chairman, general manager, head of accounting, head of finance, head of internal audit, head of corporate governance, and head of R&D

V. Information Regarding Independent Auditors

Accounting Firm	Name of CPA		Period of Audit	Note
PwC Taiwan	Dian-Yi Lee	Tsai-Yen Jiang	January 1, 2019 to December 31, 2019	None

Unit: NTD Thousand Dollars

Amount range		Items of Fees	Fees for Audit	Fees for Non-Audit	Total
1	Less than NT\$2,000,000				
2	NT\$2,000,000 (inclusive) - NT\$4,000,000		✓	✓	
3	NT\$4,000,000 (inclusive) - NT\$6,000,000				
4	NT\$6,000,000 (inclusive) - NT\$8,000,000				✓
5	NT\$8,000,000 (inclusive) - NT\$10,000,000				
6	NT\$10,000,000 (inclusive) and above				

- (I) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: the audit fee was NT\$3,590,000 and the non-audit fee was NT\$2,979,000. These included the fee of NT\$ 299,000 for CB2 converted to common shares and cash capital increase registration; taxation consultancy NT\$2,160,000 and consulting fee of NT\$80,000 for direct deduction for sales tax; assurance certification for NT\$150,000, and other for NT\$290,000.
- (II) Amount and nature of other non-audit fees paid to the affiliates of the certified public accountants and their accounting firm:

Unit: NTD Thousand Dollars

Name of Accounting Firm	Name of CPA	Fees for Audit	Fees for Non-Audit					Audit period by the CPAs	Note
			System design	Industrial and commercial registrations	Human resources	Other	Subtotal		
PwC Taiwan	Dian-Yi Lee Tsai-Yen Jiang	3,590	0	299	0	2,680	2,979	January 1, 2019 to December 31, 2019	These included the fee of 299 for CB2 converted to common shares and cash capital increase registration; taxation consultancy 2,160 and consulting fee of 80 for direct deduction for sales tax; assurance certification for 150, and other for 290.

(III) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: none

(IV) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: none

VI. Information regarding independent auditor replacement:

(I) Regarding the former certified public accountant

Date of replacement	Approved by the Board on March 10, 2019.		
Reason and description of the replacement	Internal adjustment of PwC Taiwan.		
Specifying whether it was the certified public accountant that voluntarily ended the engagement or declined further engagement	Concerned party	Accountant	Appointer
	Circumstance		
	Voluntarily ended the engagement	—	—
	Declined further engagement Continued the engagement	The Company had engaged Mr. Dian-Yi Lee, CPA, and Ms. Tsai-Yen Jiang, CPA for attesting the financial reports. To accommodate the internal adjustment of PwC Taiwan, from Q1 2020, the audit (review) attestation for financial reports will be audited (reviewed) by Mr. Chi-Cheng Hsieh, CPA, and Ms. Tsai-Yen Jiang	—
If the former certified public accountant issued an audit report expressing other than an unqualified opinion during the 2 most recent years, furnish the opinion and reason.	None		
Any disagreement with the Issuer	Yes		Accounting principles or practices
			Financial report disclosure
			Auditing scope or procedure
			Other
	None	✓	
	Explanation	None	
Other disclosures (matters to be disclosed specified from Item 1-4 to 1-7, Paragraph 6, Article 10 of the Regulations)	None		

(II) Regarding the successor certified public accountant

Name of Accounting Firm	PwC Taiwan
Name of CPA	Chi-Cheng Hsieh; Tsai-Yen Jiang
Date of engagement	March 10, 2020
Prior to the formal engagement, the matters and outcomes that Company consulted the newly engaged accountant regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the company's financial report.	None
The written views from the successor certified public accountant regarding the matters on which the company did not agree with the former certified public accountant.	None

(III) The former certified public accountant's reply to Item 1 and Item 2-3, Paragraph 6, Article 10 of Regulations Governing Information to be Published in Annual Reports of Public Companies: not applicable

VII. Chairman, General Manager, and managers in charge of financial or accounting affairs of the Company that held a post in the firm that the CPA is affiliated with or its associated enterprise: Not Applicable

VIII. Any transfer of equity interests and/or pledge of or change in shares by any director, supervisor, managers, or shareholder in the most recent fiscal year up to the printing date of the annual report.

1. Share Transfer

Unit: share

Title	Name	2019		The year up to April 12, 2020	
		Number of shares held Increase (decrease)	Shares pledged Increase (decrease)	Number of shares held Increase (decrease)	Shares pledged Increase (decrease)
Director/General Manager	Shin-Yang Huang	445,487	0	0	0
Director/Executive Vice General Manager	Tsan-Lien Yeh	444,803	0	0	0
Director/Executive Vice General Manager	Min-Hung Wu	133,697	0	0	0
Director	Wen-Yuan Lin	250,210	0	148,000	0
Director	Ming-Chun Chiu	179,460	0	0	0
Independent Director	Chun-Rong Lu	0	0	0	0
Independent Director	Wen-Bin Wu	0	0	0	0
Independent Director	Min-Kai Lin	0	0	0	0
Executive Vice General Manager	Hsu-Tung Kuo	293,879	0	0	0
Senior Vice General Manager	Kuang-Shun Yang	151,624	0	0	0
Vice General Manager	Chin-Te, Kuo	111,900	0	0	0
Senior Vice General Manager	Chao-Hung Hsieh	144,493	0	0	0
Vice General Manager	Hsu-Ming Tsou	107,293	0	0	0
Vice General Manager	Wen-Hao Su	96,651	0	0	0
Vice General Manager	Ching-Cheng Tien	(Note)			
Senior Assistant General Manager	Jui-Chen Feng	109,309	0	0	0
Senior Assistant General Manager	Shi-Hsin Hsu	92,531	0	(300,000)	0
Assistant General Manager	Wen-Gui Huang	57,598	0	0	0
Assistant General Manager	Wei-Hua, Hsiung	57,595	0	0	0
Assistant General Manager	Wen-Hsian Lee	(Note)	0	0	0
Head of Accounting	Chi-Chang Chen	(Note)	0	0	0

Note: Ching-Cheng Tien, Vice General Manager inaugurated on August 1, 2019; Wen-Hsian Lee, Assistant General Manager, was promoted on November 1, 2019; Chi-Chang Chen, Chief, was appointed as the Head of Accounting on March 11, 2020.

Note 1: There is no shareholder holding 10% or more shares of the Company (major shareholder)

Note 2: Shareholders holding 10% or more shares of the Company shall be specified as major shareholders, and listed individually.

Note 3: If the counterpart of the share transfer or share pledged is a related party, the following table shall be filled in.

Note 4: If the counterpart of the share transfer or share pledged is a related party, the following table shall be filled in.

Note 5: If the counterpart of the share transfer or share pledged is a related party, the following table shall be filled in.

2. Shall the counterpart of the share transfer or share pledged be a related party, the relationship between directors, supervisors, managers, and the shareholder holding 10% or more shares:

Name (Note 1)	Reason of share transfer (Note 2)	Date of transaction	Counterparties	The relationship between directors, supervisors, managers, and the shareholder holding 10% or more shares	Number of shares	Transaction price
Shi-Hsin Hsu (Assistant General Manager)	Gift to the spouse (Disposal)	Date of handling at the National Taxation Bureau: February 24, 2020 Date of reporting: February 25, 2020	Yu-Wen Lee	Spouse	300,000	Price approved by the National Taxation Bureau: 34.9

Note 1: fill in the name of directors, supervisors, managers, and the shareholder holding 10% or more shares

Note 2: indicating acquisition or disposal.

3. The relationship with the shareholder holding 10% or more, and the shares acquired or pledged: there is no shareholder holding 10% or more shares of the Company

**IX. Top Ten Shareholders in Terms of Shareholding, and their inter-relationships:**

Name	Shares held by him/herself		Shares held by spouses and minor children		Shares held under others' names		The title or name and relationship among shareholders in the top ten shareholding list who are related, spouse to each other, or relatives within the second degree of kinship		Note
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Yenyuan Investment Co., Ltd.	18,100,000	4.29	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Investment Account of Rabeco Capital Growth Fund, under custody of Taipei Branch, JP Morgan	13,536,653	3.21	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Investment Account of PGIA Advanced Comprehensive International Stock Index, under custody of the Taipei Branch, JP Morgan	8,588,585	2.04	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Dedicated account of Norges Bank Investment Management in custody by Citibank Taiwan	8,466,447	2.01	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Shin-Yang Huang	7,215,771	1.71	533,495	0.13	Not applicable	Not applicable	None	None	None
Dedicated Account of LSV Emerging Market Equity Fund Limited Partnership in custody of Bank of Taiwan	7,182,554	1.70	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Ming-Chun Chiu	5,791,769	1.37	1,031,976	0.24	Not applicable	Not applicable	None	None	None
Investment Account of Vanguard Emerging Markets Stock Index, under custody of Taipei Branch, JP Morgan	5,355,026	1.27	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Dedicated investment account of DFA Investment Diversified Group's EM Core Securities Portfolio in custody by Citibank Taiwan	4,700,523	1.12	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Dedicated investment account of Dimension EM Assessment Fund in custody by Citibank Taiwan	4,634,231	1.10	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None

X. Shares Held by the Company, Directors, Supervisors, Managers of the Company, and Businesses Controlled Directly or Indirectly by the Company of Same Reinvested Business and Consolidated Calculation of Comprehensive Shareholding Ratio

December 31, 2019

Unit: thousand shares, %

Re-invested business	The Company's investment		Investments by the directors, supervisors, managers, and the directly/indirectly controlled businesses		Consolidated investments	
	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio
SIGURD INTERNATIONAL CO., LTD.	30,254	100%	—	—	30,254	100%
Burgurd Co., Ltd.	Note	100%	—	—	Note	100%
Test-Serv Co., Ltd.	80,200	100%	—	—	80,200	100%
Flusol Co., Ltd.	Note	96.66%	Note	3.34%	Note	100%
Hong Da Yang Electronics (Shenzhen) Co., Ltd. (Note 1)	—	—	Note	100%	Note	100%
Sigurd (Suzhou) Moletron Technology Co., Ltd.	—	—	Note	100%	Note	100%
Ambersan Medical Technology Co., Ltd.	1,815	55%	—	—	—	—
SIGURD MICROELECTRONICS (CAYMAN) CO., LTD.	—	—	35,503	78.33%	35,503	78.33%
Sigurd Micro Electronics (Wuxi) Co.,Ltd	—	—	Note	78.33%	Note	78.33%
Bloomeria Ltd, Singapore	2,202,218	100%	—	—	2,202,218	100%
Winstek Semiconductor Co., Ltd. Winstek Semiconductor Co., Ltd.	—	—	70,694	51.88%	70,694	51.88%
Winstek Semiconductor Technology Co., Ltd. Winstek Semiconductor Technology Co., Ltd.	—	—	310,000	100%	310,000	100%
Flatek Co., Ltd.	10,000	58.77%	—	—	10,000	58.77%
OPS Electronics Limited	—	—	10	100%	10	100%
OPS Electronics (Shenzhen) Co., Ltd.	—	—	Note	100%	Note	100%
TPfusion Technology Co., Ltd.	—	—	1,125	75%	1,125	75%
TPfusion Corp.	—	—	98	98%	98	98%
Valuenet International Limited	—	—	50	100%	50	100%

Note: unissued shares; Note 1: On February 27, 2020, Hong Da Yang Electronics (Shenzhen) Co., Ltd. was cancelled with the approval from Investment Commission, MOEA

## Four. Status of Fundraising

### I. Source of Share Capital

#### (I) Source of Share Capital

April 12, 2020

Month / Year	Issue Price	Approved Share Capital		Paid-up Share Capital		Note		
		Number of shares	Amount	Number of shares	Amount	Source of Share Capital (NTD)	Subscription is paid with property other than cash	Other
January 2019	10	500,000,000	5,000,000,000	389,955,784	3,899,557,840	Common shares converted from domestic convertible bonds for NTD 852,690	None	Note 1
April 2019	10	500,000,000	5,000,000,000	390,234,849	3,902,348,490	Common shares converted from domestic convertible bonds for NTD 2,790,650	None	Note 2
July 2019	10	700,000,000	7,000,000,000	391,851,117	3,918,511,170	Common shares converted from domestic convertible bonds for NTD 16,162,680	None	Note 3
September 2019	10	700,000,000	7,000,000,000	394,092,773	3,940,927,730	Common shares converted from domestic convertible bonds for NTD 22,416,560	None	Note 4
December 2019	10	700,000,000	7,000,000,000	415,772,017	4,157,720,170	Common shares converted from domestic convertible bonds for NTD 46,792,440, and capital increase in cash for NTD 170,000,000	None	Note 5

Note 1: On January 23, 2019, the change to the paid-up capital amount was approved by Letter Jing-Shang-Shou-Zhi No. 10801006990.

Note 2: On April 12, 2019, the change to the paid-up capital amount was approved by Letter Jing-Shang-Shou-Zhi No. 10801038120.

Note 3: On July 18, 2019, the change to the paid-up capital amount was approved by Letter Jing-Shang-Shou-Zhi No. 10801084770.

Note 4: On September 3, 2019, the change to the paid-up capital amount was approved by Letter Jing-Shang-Shou-Zhi No. 10801117780.

Note 5: On December 10, 2019, the change to the paid-up capital amount was approved by Letter Jing-Shang-Shou-Zhi No. 10801177180.

#### Categories of Issued Shares

April 12, 2020

Categories of Shares	Approved Share Capital			Note
	Outstanding Shares (Listed Company)	Unissued shares	Total	
Common Shares (share)	421,510,394	278,489,606	700,000,000	Listed Shares

Information related to the shelf registration system: not applicable

#### (II) Structure of Shareholders

April 12, 2020

Quantity \ Structure of Shareholders	Governmental agencies	Financial institutions	Other legal persons	Individuals	Foreign institutions and foreigners	Total
Number of persons	0	3	301	59,293	197	59,794
Shares held (share)	0	4,259,000	34,959,221	271,031,368	111,260,805	421,510,394
Shareholding Ratio	0%	1.01%	8.29%	64.31%	26.39%	100.00%

Note: Shareholding ratio of Mainland Chinese shareholders: 0

Note: Disclosure of the shareholding ratio of Mainland Chinese shareholders: "Mainland Chinese shareholders" refer to people, legal persons, organization, other institutions from Mainland China, or the companies invested by them in a 3rd place, set forth in Article 3 of the "Regulations for the Investment Permits to the Mainland Chinese in Taiwan."

## (III) Distribution of Shares

April 12, 2020

Range of Shareholding	Number of shareholders	Number of shares held	Shareholding Ratio
1 ~ 999	25,711	1,204,147	0.29%
1,000 ~ 5,000	24,808	53,195,149	12.62%
5,001 ~ 10,000	4,702	35,453,449	8.41%
10,001 ~ 15,000	1,697	20,107,268	4.77%
15,001 ~ 20,000	790	14,448,730	3.43%
20,001 ~ 30,000	762	18,522,348	4.39%
30,001 ~ 40,000	348	12,167,791	2.89%
40,001 ~ 50,000	244	11,198,027	2.66%
50,001 ~ 100,000	415	28,703,254	6.81%
100,001 ~ 200,000	146	19,694,112	4.67%
200,001 ~ 400,000	75	21,089,480	5.00%
400,001 ~ 600,000	27	13,222,011	3.14%
600,001 ~ 800,000	17	12,084,051	2.87%
800,001 ~ 1,000,000	5	4,489,418	1.07%
Over 1,000,001	47	155,931,159	36.98%
Total	59,794	421,510,394	100.00%

Note 1: No preferential share issued by the Company

(IV) List of major shareholders: Up to the date of transfer suspension for the AGM 2020, no shareholder holds share of 5% or more; the top ten shareholders are as the following:

April 12, 2020

Name of the Major Shareholders	Shares	Shares held (share)	Shareholding Ratio (%)
Yann Yuan Investment Co., Ltd.		18,100,000	4.29
Investment Account of Rabeco Capital Growth Fund, under custody of Taipei Branch, JP Morgan		13,536,653	3.21
Investment Account of PGIA Advanced Comprehensive International Stock Index, under custody of the Taipei Branch, JP Morgan		8,588,585	2.04
Dedicated account of Norges Bank Investment Management in custody by Citibank Taiwan		8,466,447	2.01
Shin-Yang Huang		7,215,771	1.71
Dedicated Account of LSV Emerging Market Equity Fund Limited Partnership in custody of Bank of Taiwan		7,182,554	1.70
Ming-Chun Chiu		5,791,769	1.37
Investment Account of Vanguard Emerging Markets Stock Index, under custody of Taipei Branch, JP Morgan		5,355,026	1.27
Dedicated investment account of DFA Investment Diversified Group's EM Core Securities Portfolio in custody by Citibank Taiwan		4,700,523	1.12
Dedicated investment account of Dimension EM Assessment Fund in custody by Citibank Taiwan		4,634,231	1.10

(V) The share prices for the past 2 fiscal years, together with the company's net worth per share, earnings per share, dividends per share, and related information

Item		Year		
		2018	2019	
Market price per share	Highest	43.05	39.70	
	Lowest	26.20	26.15	
	Average	34.27	31.55	
Net value per share	Before distribution	23.00	32.15	
	After distribution	註	註	
Earning per share	Weighted average shares (in thousand shares)	383,757	396,649	
	Earning per share	3.01	3.26	
Dividend per share	Cash dividend (for 2018, each share is distributed for NT\$1.03 from cash earnings and N\$1.03 from the capital reserve; for 2019, each share is distributed for NT\$1.10 from cash earnings and N\$1.10 from the capital reserve)		2.06	2.2(註)
	Issuance of bonus share	Stock dividend from retained earnings	—	—
		Stock dividend from capital reserve	—	—
	Accumulated unpaid dividend		—	—
Analysis of return of investment	Price to earning ratio		12.00	11.38
	Price to dividend ratio		17.54	16.86
	Yield of cash dividend		5.70	5.93

Note: The Company has not yet convened the AGM to decide whether to distribute the capital reserve in cash for 2019.

#### (VI) Company's dividend policy and implementation

##### 1. The policies set forth in the Articles of Association

The Company will continue to expand the scale and profitability based on the operating and investment environment and demands of funds, while taking into account the shareholders' interests and capital adequacy ratio, and applies the residual dividend policy.

Conditions and timing of distribution: in case of profit at the end of fiscal year, the Company shall first compensate the accumulated losses with profits after tax, before contributing 10% of the remaining net profits as legal reserve; however, if the legal reserve has reached the total amount of the capital, it is not subject to the previous requirement, and the special reserve may be contributed or reversed. The remaining profits together with the previously retained net profits, based on the operation of the Company, shall be proposed to be used for distributing shareholders' dividends and bonus by the Board, and submitted to the shareholder's meeting for its resolution.

The distribution of earnings may be in cash dividend or stock dividends. For distributing earnings, cash dividends are the first priority but may be done in stock dividends; but the percentage of distributed cash dividends shall be 10% at least.

The Company may distribute earnings or off-se loss at the close of each half fiscal year. If such earning distribution is made in cash, it shall be resolved by the Board of Director for implementation; if made in new share issuance, it shall be resolved by a shareholders' meeting for implementation

2. Shall the Company be profitable for a fiscal year, based on the earnings, 8% to 12% shall be contributed as the remunerations to employees, and no more than 3% as the remunerations to directors and supervisors. Provided, when there are accumulated losses, such losses shall be firstly off-set before the aforesaid contributions.  
The remunerations to employees may be distributed in cash or stocks; the eligible receivers are the employees in services and on the payroll of the Company, and the domestic/overseas subsidiaries where the Company holds 50% or more shares.
  3. Proposal of dividend to the Shareholders' Meeting this year: to distribute NT\$2.20 cash dividend per share, including NT\$1.10 from earnings and N\$1.10 from the capital reserve.
- (VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: not applicable; no stock dividend is proposed to the Shareholders' Meeting this year.
- (VIII) Remunerations to employees, directors, and supervisors
1. The percentages or ranges with respect to employee, director, and supervisor remunerations, as set forth in the Company's articles of incorporation: please refer to (VI)-2.
  2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee remunerations, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: there is no discrepancy from the estimated employee and director remunerations, so no other accounting treatment needed.
    - (1) The estimated earning distribution for 2019 is based on the conditions and timing of distribution set forth in the Articles of Association.
    - (2) The Board of directors approved the proposal of shareholders' dividend as distributing NT\$2.20 cash dividend per share, including NT\$1.10 from earnings and N\$1.10 from the capital reserve.
    - (3) The accounting treatment to the discrepancy between the actual amount of distribution and the estimation: shall there be any discrepancy between the actual amount of distribution resolved by the shareholders meeting next year and the estimation, the accounting treatment to be taken is the changes of accounting estimation, and the income will be adjusted in the year when the shareholders' meeting resolves such.
  3. Distribution of remuneration approved by the Board of Directors: on March 10, 2020, the Board of Directors of the Company approved to issue employee remuneration of NT\$153,500,000, and Directors' remuneration of NT\$25,000,000 and for 2019. The total amount will be paid in cash. The amount resolved is identical to the amount recognized in 2019.
  4. Actual remunerations for employees and for directors and supervisors distributed for the previous year:

Distribution	Previous year (2018)				
	Actual distribution resolved by the Shareholders' Meeting	Distribution proposed by the Board of Directors	Difference	Reason of difference	Treatment
1. Cash bonus to employees	NTD 135,000,000	NTD 135,000,000	—	—	—
2. Stock bonus to employees					
(1) Number of shares	—	—	—	—	—
(2) Amount	—	—	—	—	—
(3) Share price	—	—	—	—	—
3. Remunerations to directors and supervisors	NTD 23,500,000	NTD 23,500,000	—	—	—

(IX) Buyback: none

## II. Corporate bond handling

### (I) Outstanding and pending corporate bonds

Type of corporate bonds	2rd Unsecured Convertible Bond	3rd Unsecured Convertible Bond
Issue Date	April 24, 2017	October 15, 2019
Face value	One Hundred Thousand New Taiwan Dollars	One Hundred Thousand New Taiwan Dollars
Place of Issuance and Trading	Issued in Republic of China; listed at TPex	Issued in Republic of China; listed at TPex
Issue Price	The face value of each bond is One Hundred Thousand New Taiwan Dollars, and issued with the full amount of the face value.	The face value of each bond is One Hundred Thousand New Taiwan Dollars, and issued with the full amount of the face value.
Total amount:	Total issued amount: NTD 1,206,000,000 Face value of each bond: NTD 100,000 (issued at 100.5% of the face value)	Total issued amount: NTD 1,206,000,000 Face value of each bond: NTD 100,000 (issued at 100.5% of the face value)
Interest rate:	Coupon rate is 0%	Coupon rate is 0%
Term	Three years Expired on: April 24, 2020	Three years Expired on: October 15, 2022
Guaranteed by:	Not applicable	Not applicable
Trustee	CTBC Bank Co., Ltd.	CTBC Bank Co., Ltd.
Underwriter	KGI Securities Co., Ltd.	KGI Securities Co., Ltd.
Attesting lawyer	Not applicable	Not applicable
Attesting accountant	Not applicable	Not applicable
Method of repayment	1. Duration: three years 2. Method of repayment: other than the conversion to the Company's common shares by the convertible corporate bond holders pursuant to Article 10 of the Guidelines, or the Company's buyback from securities companies to cancel, at the expiration, the Company will repay in cast at once based on the bond's face value.	1. Duration: three years 2. Method of repayment: other than the conversion to the Company's common shares by the convertible corporate bond holders pursuant to Article 10 of the Guidelines, or the Company's buyback from securities companies to cancel, at the expiration, the Company will repay in cast at once based on the bond's face value.
Outstanding principals	Forty Thousand New Taiwan Dollars	One Billion and Two Hundred Million New Taiwan Dollars
Clause about redemption and early repayment	Not applicable	Not applicable
Restrictive terms	Not applicable	Not applicable
Name of the rating agency, date of rating, and outcome of the corporate bond rating	Not applicable	Not applicable
With other rights	Up to the printing date of the annual report (March 31, 2020), the amount of the converted common shares	Converted CB2: 11, 959 Converted common shares: 45,867,735 shares NT\$458,677,350
	Guidelines of Issuance and Conversion (Exchange or Subscription)	Converted CB3: 0 Converted common shares: 0 NT\$0
Guidelines of issuance, conversion, exchange, and subscription; the potential dilution and impacts to the current shareholders' interest from the issuance conditions.	Please refer to the Guidelines of Issuance and Conversion for this time.	Please refer to the Guidelines of Issuance and Conversion for this time.
Guidelines of issuance, conversion, exchange, and subscription; the potential dilution and impacts to the current shareholders' interest from the issuance conditions.	This batch of unsecured convertible corporate bonds were issued to purchase machines and equipment, deemed as a positive boost to the EPS of the coming years, and thus there is no concern of earning dilution. Meanwhile, the Company has taken the outlook of the Company's development and preservation of shareholders' interests into account when determining the issuance conditions; it is not deemed to have any material impact to the potential dilution of shares.	This batch of unsecured convertible corporate bonds were issued to purchase machines and equipment, deemed as a positive boost to the EPS of the coming years, and thus there is no concern of earning dilution. Meanwhile, the Company has taken the outlook of the Company's development and preservation of shareholders' interests into account when determining the issuance conditions; it is not deemed to have any material impact to the potential dilution of shares.
Custodian where the underlying exchange is trusted	Not applicable	Not applicable

(II) Corporate bonds expire within a year: the 2nd domestic unsecured convertible bonds expired on April 24, 2020. As it fell during the period of transfer suspension for the AGM 2020, the deadline for conversion application by the bond holders was April 9, 2020. As of April 10, 2019, total 11,996 CB2 were converted to 46,023,851 common shares; currently

only four the outstanding unsecured convertible bonds have not been converted to common shares. The convertible bonds were delisted on April 27, 2020; the Company issued the repayment to the creditors on May 8, 2020.

(III) The status of the convertible corporate bonds with rights of conversion to common shares, overseas depository receipts, or other exchangeable securities: as of March 31, 2020 the information of the 2nd and 3rd domestic unsecured convertible bonds issued by the Company is as the following:

Unit: NT\$

Type of corporate bonds		2rd Unsecured Convertible Bond		3rd Unsecured Convertible Bond	
Year		2019	The year up to March 31, 2020	2019	The year up to March 31, 2020
Market price to convert the corporate bonds	Highest	166.00	158.00	116.95	115.50
	Lowest	108.00	118.90	106.55	103.00
	Average	123.81	145.39	110.42	109.62
conversion price		23.70	23.70	36.60	36.60
Issuance (handling) date and the conversion price at issuance.		The conversion price at issuance on April 24, 2017: NT\$28.70. The conversion price was adjusted to NT\$27.0 on August 13, 2017; the conversion price was adjusted to NT\$25.80 on July 15, 2018; the conversion price was adjusted to NT\$24.0 on July 21, 2019; and the conversion price was adjusted to NT\$23.7 on November 15, 2019.		The conversion price at issuance on October 15, 2019: NT\$37.0. The conversion price was adjusted to NT\$36.6 on November 15, 2019.	
Method to perform the conversion obligation		New share issued	New share issued	New share issued	New share issued

(IV) Information of issued exchangeable corporate bonds: none

(V) Common common corporate bonds raised and issued through shelf registration: none.

(VI) Information of issued corporate bonds with warrant: none

(VII) Handling of private-placed corporate bonds in the last three years: none:

III. Handling of preferential shares: none

IV. Handling of overseas depository receipt: none

V. Handling of employee stock options: none

VI. Handling of employee restricted shares: none

(I) For the employee restricted shares that have not all met the conditions, the handling shall be disclosed to the publishing date of the annual reports, as well as the effects to the shareholders' interests: not applicable.

(II) Name and status of managers and to Top 10 employees granted with employee restricted shares: not applicable.

VII. Status of new share issuance in connection with mergers and acquisitions: not applicable.

(I) If, during the most recent fiscal year up to the date of publication of the annual report, the Company has completed any issuance of new shares in connection with a merger or acquisition or with acquisition of shares of any other company, the annual report shall specify the following matters:

1. In the case of a company whose shares are listed on the TWSE ("TWSE listed company") or listed on the TPEX in accordance with the provisions of Article 3 or Article 3-1 of the Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEX ("TPEX listed company"), the annual report shall include a clear opinion prepared by the managing underwriter concerning any issuance of new shares in connection with any merger or acquisition or with any acquisition of shares of any other company within the past quarter: not applicable
2. In addition to requirements set forth in the preceding item, the annual report shall also disclose the state of implementation of any of the aforementioned matters during the most recent quarter. If the progress or benefits of such implementation were not as good as expected, the annual report shall explain specifically how the situation is likely to affect shareholders' equity, and shall put forward a plan for corrective action: not applicable.

(II) Where the board of directors has, during the most recent fiscal year up to the date of publication of the annual report, adopted a resolution approving any issuance of shares in connection with a merger or acquisition or with acquisition of shares of any other company, the annual report shall disclose the state of the plan's implementation together with the impacts to the company (or companies) to be merged or acquired or to the shareholders' interests: not applicable.

VIII. Financing plans and implementation:

(I) Analysis of previous financing plans for cash capitalization, merge and acquisition, acquisitions of shares of other companies, or issuance of corporate bonds:

1. Description of plan

- (1) Approval date and letter number of the competent authorities regarding the objective: April 6, 2017, Jin-Guan-Zheng-Fa-Zhi No. 1060008965.
- (2) Total amount of funds required for the plan: NT\$1,206,000,000.
- (3) Source of funds: issuing 12,000 2nd Domestic Unsecured Convertible Bonds, with a face value of One Hundred Thousand New Taiwan Dollars each; the issuance was made at 100.5% of the value for a three-year term; the total issuance amount was NT\$1,206,000,000.

## 2. Project item, expected progress of the funds, and the potential effects

### (1) Project item and expected progress of the funds

Unit: NTD Thousand Dollars

Item	Expected completion date	Total required amount of funds	Progress of the expected fund use					
			2017			2018		
			Q2	Q3	Q4	Q1	Q2	Q3
Purchase of machinery equipment	2018 Q3	1,206,000	104,999	296,718	419,842	55,103	125,688	203,650
Total		1,206,000	104,999	296,718	419,842	55,103	125,688	203,650

### (2) Expected generated effects

Unit: thousand pieces; thousand NTD

Year	Product item	Production volume	Sales volume	Operating revenue	Operating gross profit	Operating net profit
2017	IC and wafer testing	174,053	174,053	309,890	77,472	43,385
2018		402,676	402,676	690,941	172,735	96,732
2019		575,251	575,251	938,102	234,525	131,334
2020		575,251	575,251	928,721	232,180	130,021
2021		575,251	575,251	919,340	229,835	128,708

(3) Progress of execution

Unit: NTD Thousand Dollars

Project item	Status of execution			Reason of the progress outpacing or falling behind, and the improvement plans
	Amount used	Expected	Actual	
Purchase of machinery equipment	Amount used	Expected	1,206,000	As the original plan, this financing plan was expected to draw NT\$1,206,000,000 cumulatively by Q3 2018, to purchase machines and equipment. The payment for this procurement has been early, the actual cumulatively drawn amount of Q2 2018 has reached NT\$1,206,000,000, and thus the actual accumulative execution progress has been 100.00%. This plan was completed at Q2 2018 early, and the use of funds had been uploaded to the MOPS quarterly. No significant abnormality.
		Actual	1,206,000	
	Progress of execution (%)	Expected	100.00%	
		Actual	100.00%	

(II) The plan of cash capital increase, corporate bond issuance, employee stock option issuance, or employee restricted shares issuance

1. The summary of the fundraising and exchangeable securities issuance plan, and the expected potential effects:

(1) The exchangeable securities issuance

① Total amount of funds required for the plan: NT\$1,665,000,000.

② Source of funds:

A. New share issuance for cash capital increase

17,000,000 common shares were issued for cash capital increase, with face value of NT\$10 per share. The issuance price was NT\$26.5, for a total NT\$450,500,000 raised.

B. Issuance of the 3rd domestic unsecured convertible bond

Issuing 12,000 3rd Domestic Unsecured Convertible Bonds, with a face value of One Hundred Thousand New Taiwan Dollars each; the issuance was made at 100.5% of the value for a three-year term; the total issuance amount was NT\$1,200,000,000.

C. Another NT\$8,500,000 will be borrowed from banks or paid with funds on hand.

(2) Summary of issuance plan and the potential effects:

① Issuance plans and expected progress:

Unit: NTD Thousand Dollars

Project item	Expected time of completion	Total required amount of funds	Progress of the expected fund use					
			2019	2020				2021
			Q4	Q1	Q2	Q3	Q4	Q1
Purchase of machinery equipment	Q1 2021	1,665,000	78,390	303,598	347,088	423,486	446,492	65,946
Total		1,665,000	78,390	303,598	347,088	423,486	446,492	65,946

② Expected generated effects

Unit: thousand pieces; thousand NTD

Year	Product item	Production volume	Sales volume	Operating revenue	Operating gross profit	Operating net profit
2020	IC and wafer testing	68,442	68,442	102,663	27,614	19,423
2021		481,075	481,075	663,447	169,530	119,243
2022		511,142	511,142	648,519	157,430	110,732
2023		511,142	511,142	596,638	137,594	96,780
2024		511,142	511,142	548,907	130,714	91,941
2025		511,142	511,142	504,994	124,178	87,344

- (3) Progress of execution: The Company has been expected to draw NT\$381,988,000 cumulatively by Q1, 2020, to purchase machines and equipment. As the payment for this procurement has been early, the actual cumulatively drawn amount as of Q1, 2020 has been NT\$953,118,000, and the actual accumulative execution progress has been 57.24%.

Unit: NTD Thousand Dollars; %

Project item	Total required amount of funds	Status of execution		Q4 2019	Q1 2020	Accumulation up to Q1
Purchase of machinery equipment	1,665,000	Amount used	Expected	78,390	303,598	381,988
			Actual	303,170	649,948	953,118
		Progress of execution (%)	Expected	4.71	18.23%	22.94
			Actual	18.21	39.03%	57.24

- (III) If the funds are used to merge, acquire, or purchase another company through share acquisition, to expand fixed assets, or to acquire new property, plant and equipment, the annual report shall compare and explain property, plant and equipment, operating revenues, operating costs, and operating income: not applicable.
- (IV) If the funds are invested in another company, the annual report shall describe the condition of the invested company and explain the effect of the investment upon gain or loss from investments: not applicable.
- (V) If the funds are used to strengthen the company's working capital or pay off debts, the annual report shall note any increase or decrease in the company's current assets, current liabilities, and total liabilities; compare and explain the company's interest expenses, operating revenues, and earnings per share; and analyze the company's financial structure: not applicable.

## Five. Overview of Operation

### I. Description of Business

#### (I) Scope of Business

1. The major businesses operated by the Company
  - (1) Designing, processing, testing, pre-burn treating, manufacturing, and transacting of various types of ICs.
  - (2) The export/import trading of the materials and finished products of the previous paragraph.
2. Operating weights

Unit: NTD Thousand Dollars

Item \ Year	2018		2019	
	Net amount of operating revenue	Weight %	Net amount of operating revenue	Weight %
Packaging	2,373,927	24.88	2,008,550	19.99
IC	7,052,937	73.92	6,911,283	68.79
Service income	114,625	1.20	1,099,785	10.95
Trading	0	0.00	27,001	0.27
Total	9,541,489	100.00	10,046,619	100.00

3. Current products (services) offered by the Company
  - (1) Testing services for various IC and wafers
  - (2) TSOT packaging
  - (3) STO packaging
  - (4) Quad flat no lead (QFN) packaging
  - (5) RF module packaging and testing
  - (6) Photosenaor packaging and testing
  - (7) Packaging technologies related to Eight- and 12-inch Wafer Level Chip Scale Package (WLCSP), solder bumping, and Cu-pillar.
4. New products (services) to be developed
  - (1) Improving the SOC IC testing techniques for 5G mobile phones.
  - (2) Researching and developing 5G related equipment IC testing technology.
  - (3) With the increasing popularity and demand for artificial intelligence (AI) applications, the Company collaborates with numerous research institutions and industrial companies to upgrade packaging and testing technologies.
  - (4) Researching and developing IC packaging and testing technologies related to Augmented Reality (AR) and Virtual Reality (VR).
  - (5) Developing Internet of Things (IoT) related integrated IC packaging and testing technology.
  - (6) Developing RF-related packaging and testing technologies, such as Wi-Fi 6, WLAN SOC IC, Near Field Communication (NFC), and Wireless Power.
  - (7) Researching and developing packaging and testing technology for MEMS, such as multi-axis accelerator, gyroscope, magnetometer, pressure sensor, temperature, and humidity sensor.
  - (8) Developing the related image IC integrated packaging and testing technology: 3D Codec IC, 3D motion SOC IC, and 8K4K (with a resolution of 7680x4320) video/audio Codec IC related testing technologies.
  - (9) Exploring the 5 nanometer packaging and testing technology.
  - (10) Expanding the integrated capacity of the WLCSP and improving related technical capabilities.

- (11) Researching GaN-related packaging and testing technology.
- (12) Researching vehicle electronics, Internet of Vehicle related IC packaging/testing technology and certifications.
- (13) Researching Biometrics recognition (such as fingerprint, iris) related IC packaging and testing technology.
- (14) Planning of Smart Factory and machine automation.

(II) Overview of the Industry

1. Current circumstance and development

- (1) Current circumstance and development of global semiconductor industries: although the global economics started to recover in 2019, but being impacted by the unsettled China-US trade war and the weak demands of the mobile phone markets, the semiconductor business declined apparently. For the outlook of 2020, all industries have optimistic views to the commercialization of 5G, the China-US trade tends to be smoothed down, and the opportunities coming with Tokyo Olympics, the research institutions revised the growth rate of the global economics and semiconductor business upward. However, as the COVID-19 outbreak seemed to have expanded in Q1 2020, and resulted in the lockdown at borders by each country, the supply chains were severely affected. With uncertain consumers' demands, the outlook of 2020 is exposed to many variables.

**Forecast of the Economic Growth Rates of the World and Major Countries/Regions**

Region	IMF		
	2019	2020	2021(F)
<b>Global</b>	<b>3.40%</b>	<b>3.30%</b>	<b>3.40%</b>
US	2.40%	2.00%	1.70%
Eurozone	1.40%	1.30%	1.40%
Japan	0.50%	0.70%	0.50%
China	5.80%	6.00%	5.80%
India	7.00%	5.80%	6.50%

Sources: 1. IMF, World Economic Outlook Update, Jan. , 2019.

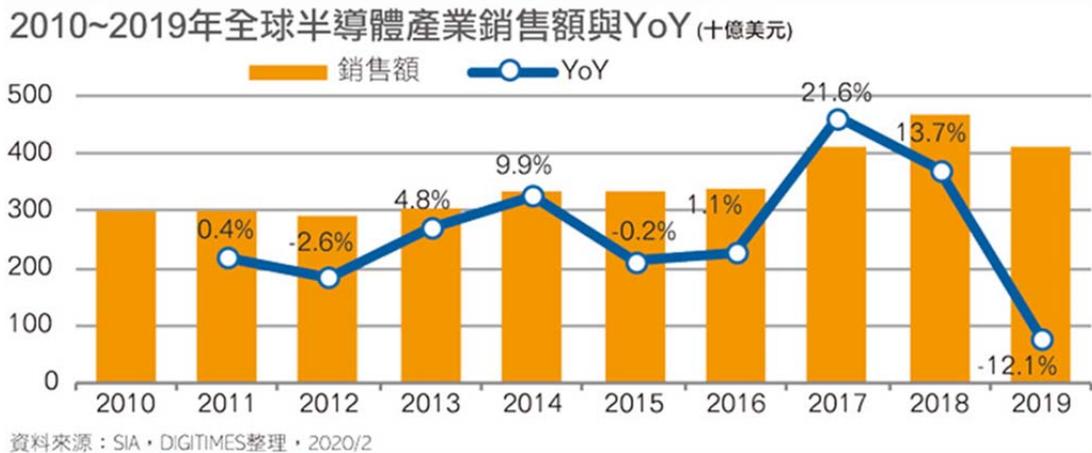
With the gradual improvement of the global economics in 2019, however also with the unsettled China-US trade war and the weak demands of the mobile phone markets, TSIA pointed that the total sales value for the global semiconductor market would be \$412.1 billion, or -12.1% year-on-year; the US would decline 20%, which is the greatest decline. The industry expected if the COVID-19 outbreak gets controlled in the 1st half of the year, the whole year growth of the global semiconductor market would be over 5%.

In 2019, not only the total sales of the global semiconductor market declined, the total sales volume also declined 7.2% year-on-year, to 932.0 billion pieces. The average sales price was \$0.442, or -5.3% year-on-year.

From the view of geography, in the US market, the 2019 semiconductor market sales value was \$78.5 billion or -23.8% yoy; in Japan market, the semiconductor

market sales value was \$36 billion or 10% decline from 2018. In Europe, the semiconductor market sales value was \$39.8 billion, or -7.3% yoy; the Asian semiconductor market sales value was \$257.8 billion, or -8.8% yoy. The China semiconductor market was \$144.6 billion or -8.7% yoy. The 2019

global semiconductor market revenue was \$476.7 billion, a decline of 12.1% from 2018.



Sales amount of the global semiconductor industry and year on year changes (billion USD)
Sales amount (yoy change)
Data source: SIA, DIGITIMES re-organization, February 2020

### 2019年各區域 半導體銷售值概況

區域	銷售值 (億美元)	年增減幅度 (%)
美國	785	▼ 23.8
歐洲	398	▼ 7.3
日本	360	▼ 10.0
中國大陸	1,446	▼ 8.7
亞洲其他	1,132	▼ 9.0
總計	4,121	▼ 12.1

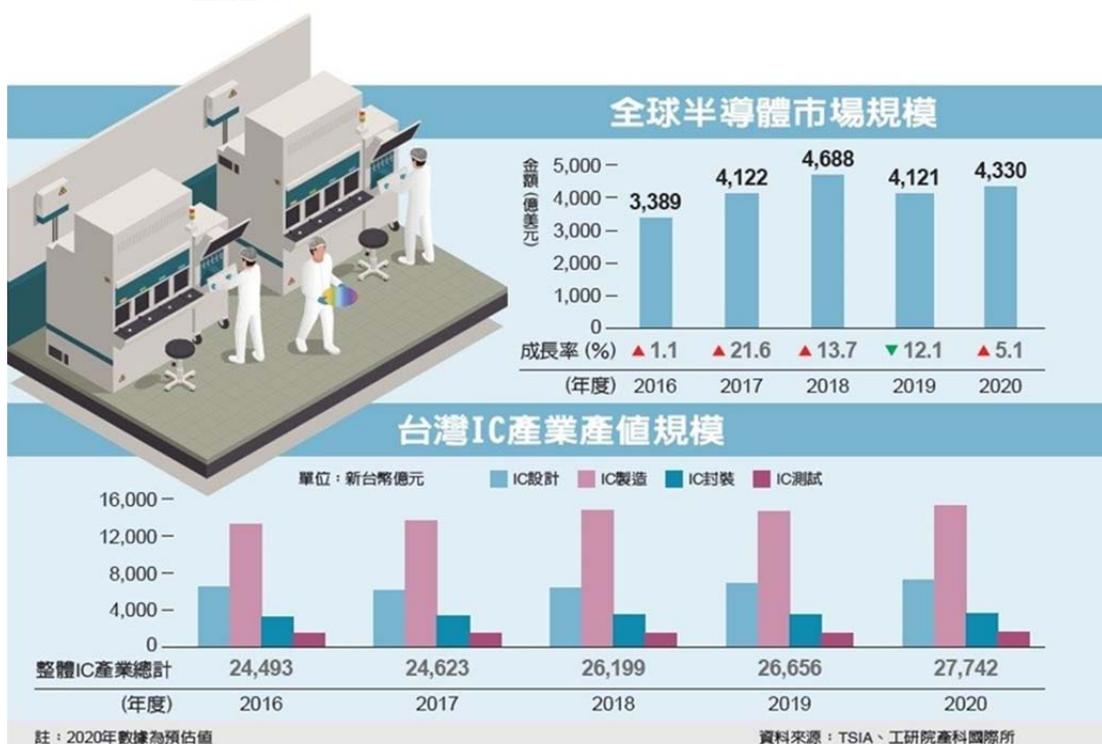
資料來源：SEMI、TSIA

Overview of 2019 semiconductor sales value by region		
Region	sales value (100 million USD)	Change, yoy (%)
US	785	▼ 23.8
Europe	398	▼ 7.3
Japan	360	▼ 10.0
China	1,446	▼ 8.7
Asia other	1,132	▼ 9.0
Total	4,121	▼ 12.1
Sources: SEMI, TSIA		

Source: Economic Daily, March 8, 2020

Originally, after putting all the growth forecasts toward the whole year semiconductor market by all research institutions, the average growth would be 7.7%. But this figure did not take into account the impact of the COVID-19 outbreak. If the outbreak may be controlled by the end of Q2, as SARS, it is possible to expect the whole year semiconductor market to grow over 5%.

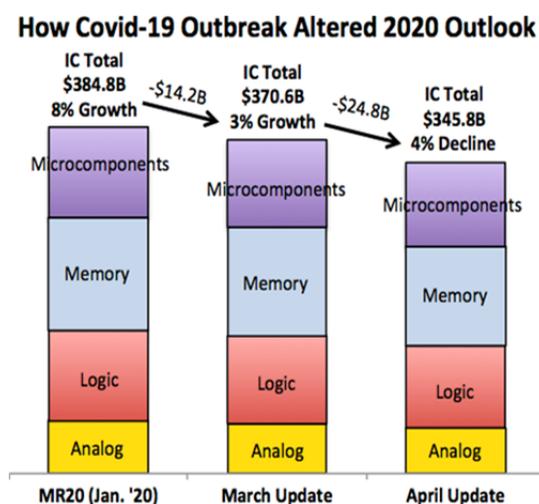
Provided, the research report of the global market survey institution, IDC, argued that the global semiconductor industries would suffer from the impact of COVID-19. In the four designed expected outbreak impact scenarios, it is expected the global semiconductor market in 2020 would most likely decline 6%; the possibility is 54%. Under such circumstances, even if the supply chain recovers from the summer 2020, and the lockdown and travel ban get lifted, the amount impacted will still be NT\$25.8 billion to the global semiconductor market.



Scale of the global semiconductor market
Amount (100 million USD)
Growth rate(%)
(Year)
Scale of Taiwan IC industry production value
Unit: 100 million NTD
IC design
IC manufacture
IC packaging
IC testing
Total for overall IC industry
(Year)
Note: forecast of 2020 data
Source: TSIA; ISTI

Source: Economic Daily, March 8, 2020

However, with the expansion of the outbreak, more and more countries are impacted. According to media reports, the research institute IC Insight has revised down its forecast about the global semiconductor market, from growth of 8% to growth of 3%, and further revised down to decline 4%. IC Insights also forecasts that the global GDP will have a negative growth, and recesses at least 2.1%, as 2009.



Sources: IC Insights, April 9, 2020.

In addition, Gartner also forecasts that the production value of the global semiconductors will be worse than the previous estimation, 12.5%. Its forecast is that the value would be \$415.4 billion, or 0.9% decline; for the semiconductor

market excluding memory, the production value would be \$290.6 billion, or -6.1%.

## 五大機構下修2020年半導體市場 增長預估

機構	預估值
IDC	衰退 6%(可能性最高)
Gartner	衰退 0.9%
IC Insights	衰退 4%
VLSI Research	衰退 4.2%
The Information Network	衰退 6.1%

資料來源：各機構，DIGITIMES整理，2020/4

Five major institution revised down the forecast of 2020 global market growth	
Institutions	Forecast
IDC	6% decline (most likely)
Gartner	0.9% decline
IC Insights	4% decline
VLSI Research	4.2% decline
The Information Network	6.1% decline
Source: each institution, compiled by DIGITIMES, April 2020	

Source: Electronics, April 17, 2020

### (2) Current circumstance and development of Taiwan semiconductor industries:

The IC industry in Taiwan has a unique vertical division of works for up- and downstream, differentiating from the world. From the upstream wafer materials to IC design, manufacturing, packaging, and testing, the industry value chain is divided into many small segments with a complete structure. Based on the data from research institutions, the production value of IC wafer OEM and of IC packaging/testing are both ranked No. 1 in the world, while IC design production value is ranked No. 3. This demonstrates the importance of the Taiwan IC industry in the world.

ITIR points that for the future market development trends, with the emerging semiconductor applications, such as 5G, AI, high performance calculation, and for Car-application, the AI acceleration and cooperative chips needed for the Cloud to the ends are suggested. Therefore, the chip development trend with the future new framework will affect the direction of the semiconductor industry and the shift of the semiconductor application block.

Based on the forecast of IEK Consulting of ITIR, from 2018, the emerging products, such as car-application, AI, and HPC, will be the source of drives to the new wave of production value growth. From 2019, the innovative technologies beyond Moore's Law have emerged, and become the key topics of heated discussion in the semiconductor industry. Silicon photonics and

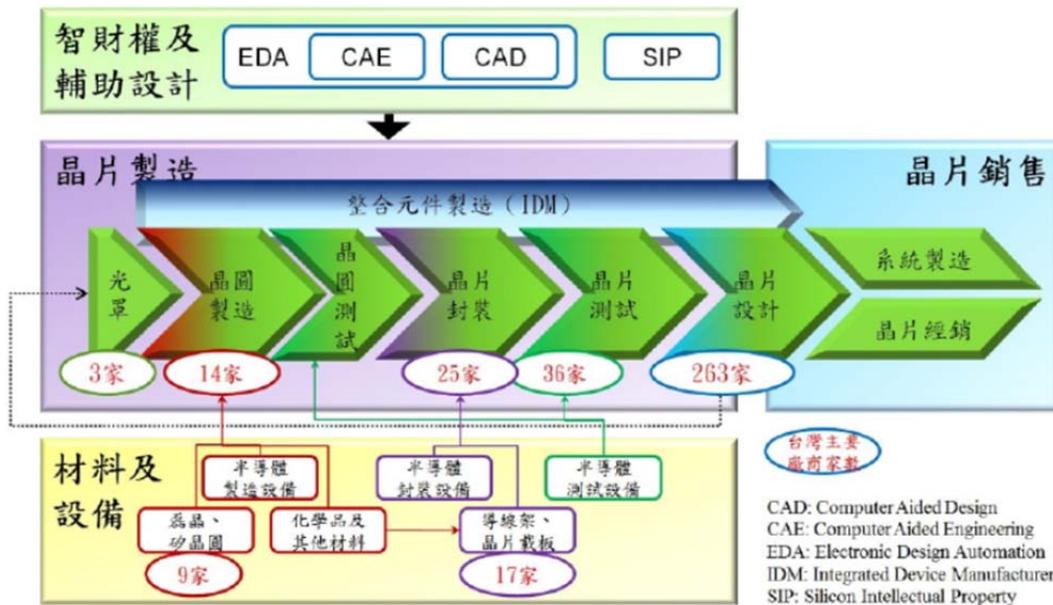
quantum computer chips will be the key driver to the evolution of semiconductor technologies from 2020 to 2030. Looking forward, it is expected that the production value of Taiwan's semiconductor industry will be possibly approaching NT\$ 2.8 trillion.

### Production Value of IC Industry in Taiwan, 2015-2020

in million TWD	2016	2016 Growth rate	2017	2017 Growth rate	2018	2018 Growth rate	2019	2019 Growth rate	2020 (e)	2020 (e) Growth rate
<b>Production Value of IC Industry</b>	24,493	8.20%	24,623	0.50%	26,199	6.40%	26,656	1.70%	27,742	4.10%
IC design	6,531	10.20%	6,171	-5.50%	6,413	3.90%	6,928	8.00%	7,227	4.30%
IC manufacture	13,324	8.30%	13,682	2.70%	14,856	8.60%	14,721	-0.90%	15,285	3.80%
Wafer OEM	11,487	13.80%	12,061	13.80%	12,851	6.60%	13,125	2.10%	13,649	4.00%
Memory and other fabrications	1,837	-16.80%	1,621	-11.80%	2,005	23.70%	1,596	-20.40%	1,636	2.50%
IC packaging	3,238	4.50%	3,330	2.80%	3,445	3.50%	3,463	0.50%	3,615	4.40%
IC testing	1,400	6.50%	1,440	2.90%	1,485	3.10%	1,544	4.00%	1,615	4.60%
<b>Production Value of IC Products</b>	8,368	2.90%	7,792	-6.90%	8,418	8.00%	8,524	1.30%	8,863	4.00%
Global semiconductor market (100 million USD) and growth rate (%)	3,389	1.10%	4,122	21.60%	4,688	13.70%	4,121	-12.10%	4,330	5.10%

Source: TSIA; ISTI (Feb 2020)

- Relationship between the upstream, midstream, and downstream in the industry: The IC industry in Taiwan has a unique vertical division of works for up- and downstream, differentiating from the world. From the upstream wafer materials to IC design, manufacturing, packaging, and testing, the industry value chain is divided into many small segments with a complete structure. The Company and the subsidiaries are the professional packaging and testing vendors; the wafers are mainly provided by internationally recognized semiconductor companies, and they have good relationships with the Company and the subsidiaries for long term. The following chart specifies the relationship between the upstream, midstream, and downstream in the industry in Taiwan.



Intellectual property rights and auxiliary design	EDA	CAE	CAD	SIP		
Chip manufacturing						Chip sales
	Integrated device manufacturing (IDM)					
Illumination	Wafer manufacturing	Wafer testing	Chip packaging	Chip testing	Chip design	System manufacturing
						Chip distribution
3 manufacturers	14 manufacturers		25 manufacturers	36 manufacturers	263 manufacturers	
Materials and equipment	Semiconductor manufacturing equipment		Semiconductor packaging equipment	Semiconductor testing equipment		Number of major manufacturers in Taiwan
Epitaxy, silicon wafer		Chemicals and other materials		Wire rack, chip carrier		
9 manufacturers				17 manufacturers		

Source: MIC, January 2017

- The development trends of products: The end electronic products have greatly penetrated from PC in the past to the smartphone, and thus the growth momentum slows down. As smart electronics have been so popular, the industry consensus is that IoT will overwhelm the whole electronics industry. Compared to the demanded quantity of billion semiconductors in PC or smartphones, the demand of IoT would be only higher. According to the research paper of IEK, the devices related to IoT around the world would reach 6.6 billion pieces in 2020. Among these, the car-related IoT devices will be sold 1.1 billion pieces in 2020. The added values of the whole IoT and its peripherals are expected to reach \$35.2 billion, or 9.3% of the whole semiconductor industry of \$378.0 billion. The application of IoT will cover the smart cities, smart cars (IoC), smart medical care (remote care), smart

individuals (health and fitness), smart factories and smart manufacturers. The great opportunities attract companies all over the world to fight for a position. Therefore, the challenge to the future global IC industry is how to expand to other new products, new technologies, and new markets required by other smart electronic applications from PC and mobile phones.

4. Competition status of products: the global packaging and testing industry may be divided into integrated device manufacturers (IDM hereafter), such as Intel, Samsung, and TI; and outsourced semiconductor assembly and test (OSAT hereafter), such as ASE Technology, AMKOR, and Siliconware. The Company and the subsidiaries are professional OSAT. However, as the costs of IDM have been increasing, and the new type of packaging and testing technologies emerge, IDMs are not at the position to bear such investment. As they prefer to focus on their core competitiveness, the outsourcing of packaging and testing from IDM to OSAT accelerates. In addition, as the packaging and testing business requires continuous investment every year, to satisfy the customer needs and maintain the competitiveness, the industry tends to be the pattern where the larger getting greater. However, many Taiwanese packaging and testing SME also obtain their position in this red sea with niche products and their core competitiveness.

(III) Overview of technology and R&D

1. The R&D expenses input during the recent year up to the printing date of the annual report (April 12, 2020): in 2019, the expenses were NT\$282,721,000; up to April 12, 2020, the expenses were NT\$89,288,000
2. Technologies or product successfully developed:

Year	Outcomes of R&D
2017	<ol style="list-style-type: none"> <li>1. Establishment of production processes for DPS multi die</li> <li>2. Establishment of production processes for DSP multi bin</li> <li>3. Development and design of packaging structure of COL</li> <li>4. Establishment of production processes for 3 mil slim chips</li> <li>5. The paper regard the dynamic adjusting the self-screening during the testing process was published on ITC</li> </ol>
2018	<ol style="list-style-type: none"> <li>1. MIS baseboard structure design and development</li> <li>2. R&amp;D of the new type RF switch module</li> </ol>
2019	<ol style="list-style-type: none"> <li>1. Developed and established GaAs 5G DPS P&amp;P technology</li> <li>2. Developed Skeleton wafer automatic inspecting machine, and introduced to the mass production</li> <li>3. 24GHz radar IC testing program</li> </ol>

(IV) Business development for long- and short term

1. Short-term business development plans
  - (1) Packaging: since the foundation of the Company, we have successfully grasped the movement of the low-lead packaging market. Other than meeting the clients' needs in terms of quality and delivery time, we also enhance the capabilities of the production processes to address the clients' issues. In the short-term, based on the existing product lines, we will exclude these lines without competitiveness, and enhance the competitiveness of the niche products (e.g. WLCSP, QFN, and DPS).
  - (2) Testing: Other than providing more complete testing services (eg. logic, mixed

signal, power, RF, or memory) by the Company and subsidiaries, for many years, we also provide outstanding services to the clients in the regards of existing logic and mixed-signal testing. Not only providing testing to program development, program transfer, chip testing to address their issues, the Company also offers the turnkey services to provide the best solutions to the delivery of clients' products and their cost-saving. In the short-term, except to improve the efficiency of the current testing machines, we will introduce and strengthen the partnership with the overseas fabless clients, to continuously expand the machines for mix-signal and RF.

## 2. Long-term business development plans

(1) Packaging: as the electronic products are getting smaller, slimmer, shorter and lighter, the packaging technologies are also miniaturized. Therefore, to respond to this trend, the Company and the subsidiaries enhance quad flat no leads (QFN), the packaging technologies related to wafer level chip scale package (WLCSP), and die processing service (DPS). QFN and WLCSP packages are not only small in size, low in cost, and high in production yield, they also provide advantages including better coplanarity and heat dissipation capability for high speed and power management circuits.

(2) Testing: Over the years, the Company and the subsidiaries have acquired the testing technology and experience of Mixed Signal, Logic, CIS, Memory, RF, and Power. With a stronghold of technologies, as well as aligning with market trends, Sigurd is moving toward integration and niche products.

①The integrated testing technology IC products are becoming increasingly complex, and can no longer be simply categorized as Mixed Signal, Logic, Memory, RF, and Power. The current trend has been moving toward the integrated IC. The Company and the subsidiaries have accumulated years of testing experience, and are confident in manufacturing of products such as SOC (mobile phone, 3G, 4G; Wi-Fi SOC) and MEMS SOC IC.

### ②Niche Testing

A. Communication products: 5G-SoC, AP, 5G cell sites, Baseband, GPS, and Wi-Fi6 SOC (integrated Bluetooth)。

B. Video/Audio related ICs: 8K4K TV SoC, Blu-ray disc, 3D video codec IC, HDMI, and HDTV control IC.

C. Mobile phone related ICs: e.g. 5G SoC, AP, Baseband SOC, GPS, Light Sensor, Bluetooth, Touch Pad, MEMS (microphone, gyroscope, three-axis accelerator, pressure sensor, among other things), and touch panel IC.

D. Computer related IC: e.g tablets, USB3.1, WiFi, and touch panel IC.

## (V) Overview of the macro economic environment and the trend of the industry where the Company operates

1. Macro economic environment: the unstable global economics resulted from the trade wars, and the control of the COVID-19 outbreak, are the key points worth to be monitored in 2020 For the product applications, it is expected that 5G, communications, high speed calculation, AI applications, car-loaded IC and IoT, are still the key factors to drive the continuous growth of the semiconductor industry.

2. Overview of the trend of the industry where the Company operates: OSATs will face the trend of the larger getting greater; and the vertical or horizontal integration will increase, which in turns helpful to the health of the industry. However, such large-scale OSATs also face the criticisms as slow decision-making and being not flexible enough. Therefore, the mid-sized OSATs, like our Company, have the

opportunities to get more orders with the edges like fast decision-making, flexibility, and outstanding services.

## II. Overview of markets, productions, and sales

### (I) Market analysis

1. Analysis of the geographic areas where the main products (services) of the Company are provided (supplied)

Unit: NTD Thousand Dollars; %

Sales region \ Year		2018		2019	
		Amount	%	Amount	%
Domestic		5,021,795	52.63	5,199,122	51.75
Export	Asia	3,572,514	37.45	3,670,982	36.54
	Americas	694,143	7.27	599,005	5.96
	Other	253,037	2.65	577,510	5.75
Subtotal of export		4,519,694	47.37	4,847,497	48.25
Total		9,541,489	100.00	10,046,619	100.00

2. Market share: the Company and the subsidiaries are the professional OEM providing niche packaging and testing services to semiconductor clients. Based on the statistics of IEK, the packaging and testing industry in Taiwan grew 1.56% in 2019, and the Taiwan market share of Sigurd and the subsidiaries grew marginally from 1.94% in 2018 to 2.01% in 2019.

Year	Operating revenue (NT\$ 100 million)	Production value of Taiwanese IC packaging/testing industry (NT\$ 100 million)	Market share
2018	95.41	4,930.00	1.94%
2019	100.46	5,007.00	2.01%

3. The demand-supply condition and the growth: based on the survey of Topology Research Institute, the 2019 revenue declined about 4% with the weakened demands on memories and smartphones. The observation of the trend of the packaging and testing industry in 2020, it will grow modestly, driven by the packaging and testing for electronics for cars, AI, IoT, and 5G. It is expected that the global IC packaging and testing production value would grow 3.3% from 2019.
4. The Company's competitive niche:
  - (1) Experienced team: the management of the Company and the subsidiaries all have professional background, and the head of each department have experience in the related industry for more than two decades, and their average tenures are more than ten years. They are very experienced in the change of industrial environment, trends of product development, production and manufacture, and sales and marketing; which is positive to the overall competitiveness and the sustainable operation of the Company.
  - (2) Niche product lines: the Company and the subsidiaries have cultivated the IC

packaging and testing industry for more than a decade. Currently, although we are SME packaging and testing plant among the Taiwanese peers, we have many leading machines in terms of testing in Taiwan.

- (3) Excellent quality: Since the foundation, the Company and the subsidiaries have endeavored to the enhancement of product quality. Not only continuing the introduction of automated production equipment and QA testing equipment, we have obtained the TS16949 QA certifications. We apply the ISO-regulated production processes with a strict quality management system and well-trained employees, to improve the stableness of our products. In 2014, Authorized Economic Operator (AEO) was introduced, and the quality of our products have been recognized by the clients. The loyalty of our clients are high. To enhance the quality, the more difficult certifications for automotive electronics, such as VDA 6.3 and ISO26262 are also introduced.
  - (4) Good control over materials: the Company and the subsidiaries have the partnership for more than ten years with our vendors, so we secure the low-priced and high quality materials, to greatly enhance the competitiveness. And the supply of materials is guaranteed to be stable, without the concerns of shortage of supply when capacities expand.
5. Positive and negative factors for future development, and the company's response to such factors.

(1) Favorable Factors:

- ① Politics has gradually stabilized in all regions of the world.
- ② The undergoing mergers of global semiconductor manufacturers have been prevalent, which is beneficial to Sigurd in securing more orders from its now merged customer entities.
- ③ Under the impacts of the US-Sino trade war, China still has the economic growth rate over 6% for 2020, with rather strong domestic market demands, driving a wave of demand for electronics (such as mobile phones, LCD TV, and so on).
- ④ Mobile phones brands from Mainland China, such as Huawei, OPPO, and Xiaomi are gradually marking their presence in the global mobile phone market, and opening up emerging markets outside Mainland China, such as India, Russia, Brazil, and et cetera.
- ⑤ The cost of packaging and testing houses of Mainland China is increasing and getting closer to their counterparts' in Taiwan.
- ⑥ After the financial tsunami, many IDM companies abroad have reduced their packaging and testing capacity or terminated production lines, which is beneficial for Sigurd to secure more orders from IDM companies.
- ⑦ New applications such as high-speed computing, deep learning edge computing, AI, AR/VR, and so on, require high-level processes. Many large international companies choose to place orders in Taiwan, which is beneficial for Sigurd to secure more orders.
- ⑧ Wearable devices which will bring forth new ideas and the extensive use of the IoT will give rise to a wave of demand for electronic components.
- ⑨ Automobiles are gradually developing towards energy-saving (hybrid or electric vehicles) and self-driving, which is conducive to the growth of vehicle electronic related ICs.
- ⑩ The commercialization of 5G starts, and the demands of 5G mobile phones and related equipment grow gradually.

(2) Unfavorable factors:

- ① The global COVID-19 outbreak has not yet been controlled effectively, and thus the global supply chains are disrupted, impacting the end demands.
- ② Due to the continuing of the US-China trade war, while China may adjust its economic growth rate downward this year, the growth rate in the next five years is claimed to be well over 6%. However, problems including COVID-19 outbreak, capital outflow, soaring bad debts, declining housing demand and excess capacity still persist. Any mistaken decision will result in a severe deterioration of the economics, and Taiwan and the whole world will be impacted.
- ③ The US-China trade war has not yet finished, and the uncertainty of the global economic growth heightened. The domestic demands and external demands are affected.
- ④ Cross-strait relations between Taiwan and Mainland China are full of variables.
- ⑤ The increase in the life span of mobile phones and replacement time leads to a decrease in demand for 4G mobile phones. For growth to regain momentum, it will depend on the commercialization speed of 5G in the future.

(3) Countermeasures to the development vision

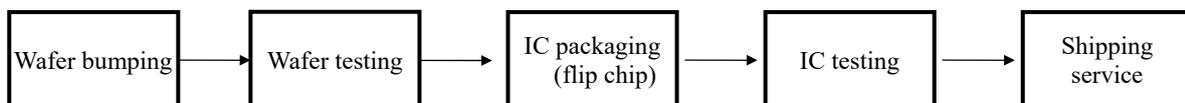
- ① We continue to develop the overseas market. In the North America market, the number of clients increased in 2018 from 2017, and thus other than expanding the North America market, we also actively expand the markets in Asia, China, Europe, and Japan.
- ② Enhance the partnership between the upstream and downstream, such as wafer plants and equipment plants.
- ③ Applying the big data to improve the production performance, to benefit the improvement of the Company's operational performance.

(II) Major usages and production process of the key products.

1. Major usages of the key products

Products or services	Major usages or functions
Testing services for various IC and wafers	Wafer testing: implement after wafers are done. The purpose is to distinguish the good and ill wafers, to avoid the unnecessary waste of costs at the later stages. Finished product testing: implemented after packaging, to check if the properties, including functions, speed, tolerance, power consumption, and heat dissipation, are normal.
TSOT packaging STO packaging	IC related to power management (motherboard, computer, charger, mobile phone, TV, and appliance)
Quad flat no lead (QFN) packaging	RF related IC, power management related IC (e.g. in mobile phones and PDA)
Advanced Wafer Level Package, such as WLCSP and bump	IC related to mobile phones, cars, and high-speed calculations

2. Production process



(III) Status of key material supplies

Key material	Name of suppliers	Domestic	Foreign	Status of supply
Lead frame	Advanced, Hong Kong		V	Good
	Shunde	V		Good
	Jie-Lin	V		Good
	Li-Fan	V		Good
	Possehl		V	Good
	Hitachi Metals Trading, Ltd		V	Good
	Mitsui High-Tec (Taiwan)	V		Good
Gold wire	Nimao	V		Good
	Tanaka Taiwan		V	Good
	M.K.Electron		V	Good
Compound	Chang-Hua	V		Good
Adhesive	Chang-Hua	V		Good
	Ablestik /Han-Kao		V	Good
	Hitachi		V	Good

(IV) Any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

1. Information of the key suppliers in the two most recent fiscal years

Unit: NTD Thousand Dollars

Item	2018				2019			
	Name	Amount	Proportion in the whole year purchase net amount (%)	Relationship with the Issuer	Name	Amount	Proportion in the whole year purchase net amount (%)	Relationship with the Issuer
1	A	76,040	13.85	None	B	85,424	17.26	None
2	B	42,218	7.69	None	A	38,700	7.82	None
3	C	39,620	7.20	None	K	37,033	7.49	None
4	H	38,529	7.02	None	H	28,403	5.74	None
	Other	352,785	64.24	None	Other	305,247	61.69	None
	Purchase Net Amount	549,192	100		Purchase Net Amount	494,807	100	

Reason of increase/decrease: changing suppliers in 2018 and 2019.

3. Information of the major sales clients and the reason of increase/decrease

Unit: NTD Thousand Dollars

Item	2018				2019			
	Name	Amount	Proportion in the whole year sales net amount (%)	Relationship with the Issuer	Name	Amount	Proportion in the whole year sales net amount (%)	Relationship with the Issuer
1	F	1,755,261	18.40	None	F	2,061,752	20.52	None
2	G	988,676	10.36	None	A	1,207,892	12.02	None
3	A	983,755	10.31	None	D	678,007	6.75	None
4	Other	5,813,797	60.93	None	Other	6,098,968	60.71	None
	Sales Net Amount	9,541,489	100.00		Sales Net Amount	10,046,619	100.00	

Reasons for changes: Benefitted from the related business of wireless communication products and mobile phones, other than the major business of Sigurd, the effects mainly came from the merge of Winstek Semiconductor Technology's revenue.

(V) Table of Production Volume and Value for the Most Recent Two Years

Unit: thousand pieces; thousand NTD

Major Products	Year	2018			2019		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Packaging		1,017,199	813,760	2,062,957	769,147	615,318	1,905,258
Testing (Note)		4,706,592	3,765,273	4,742,918	4,912,747	3,930,197	5,015,533
Service (thousand hours)		34	27	78,524	23	19	79,966
Trading							6,400
Total				6,884,399			7,007,157

Note: wafer and IC testing included

Reason of increase/decrease: mainly because the increase/decrease of the market demands changed the total production volume and production value.

(VI) Table of Sales Volume and Value for the Most Recent Two Years

Unit: thousand pieces; thousand NTD

Major Products	Year	2018				2019			
		Domestic		Export		Domestic		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Packaging		686,588	641,496	423,610	1,732,431	744,902	689,673	412,549	1,318,877
Testing (Note)		2,833,262	4,304,171	932,031	2,748,766	2,934,229	3,873,473	1,246,644	3,037,810
Service income		8	76,128	9	38,497	6	608,975	12	490,810
Trading		0	0	0	0	-	27,001	-	-
Total		3,519,858	5,021,795	1,355,650	4,519,694	3,679,137	5,199,122	1,659,205	4,847,497

Note: Wafer tests and IC tests are included

Reasons of changes: Benefitted from the related business of wireless communication products and mobile phones, other than the major business of Sigurd, the effects mainly came from the merge of Winstek Semiconductor Technology's revenue.

III. The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, their average years of service, average age, and education levels

Year		2018	2019	The year and up to March 31, 2020 (Note)
Number of employees	Direct employees	1,539	1,605	1,769
	Indirect employees	1,243	1,333	1,120
	Managerial personnel	297	313	326
	Total	3,079	3,251	3,215
Average age		36.50	28.5	36.60
Average tenure (month)		71.5	48.7	53.10
Distribution of education background	PhD	0.0%	0.1%	0.2%
	Masters	4.6%	4.7%	3.2%
	College	65.8%	65.4%	62.2%
	Senior high school	27.9%	28.2%	31.4%
	Under senior high school	1.7%	1.6%	3.0%

Note: Consolidate number of employees of the Company and the subsidiaries

IV: Disbursements for environmental protection: any loss and penalty suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. (If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.)

(I) Any loss and penalty suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid):

On October 3, 2018, Beixing Plant mistakenly drained the wasted water generated from construction to drainages, and thus on October 24, 2019, the Environmental Department of Hsinchu County Government judged to penalize the Company for a fine of NT\$30,000 due to violation to Article 30 of the Water Pollution Control Act. The fine was paid by the construction contractor.

Future countermeasures:

Before a contractor commencing works, the related requirement, penalties, and cleaning contracts are specified, and the contractor is required to manage.

(II) Countermeasures in the future (improvement measures included)

1. Disposal of the industrial wastes

- (1) Implementation of resource-saving and waste reduction: externally, we strive to recycle the packing materials (e.g. cartons, chip box, Styrofoam, and IC tube) with the upstream and downstream vendors. Internally, the electronic forms are applied to reduce paper waste. Water is also recycled to reduce the utilization of natural water resources. The operators actively adapt to the resources recycle, and categorize and grade wastes.
- (2) The wastes of life and the general industry are removed by the qualified industrial wastes disposal entity from the plant, to implement the environmental laws and regulations, and confirm the final disposal of the wastes.
- (3) Hazardous industrial wastes (E-0217 wasted IC and C-0110 copper sludge): qualified disposal vendors are engaged to properly dispose of these wastes, and the Company filed the operation to the website of Environment Protection Administration.
- (4) General industrial wastes (D-0299 mixture of wasted plastic, D-0799 mixture

of wasted timbers, and D-1801 general wastes generated from industrial activities): qualified disposal vendors are engaged to properly dispose these wastes, and the Company file the operation to the website of Environment Protection Administration.

2. Wasted water (sewage) disposal

- (1) Actively work with the professional environmental engineers to improve the performance of the current equipment conditions, and make efforts and research for the resources and waste saving, to seek the enhancement for both environment and economic effectiveness.
- (2) The wasted water and sewage disposal complies with the water quality standards of the environment laws and regulations.

3. The current pollution status, and the impacts for improvement to the Company's earning, competitive position, and the possible capital expenditures of the coming years: the Company strictly follows the environment laws and regulations, and rigorously keeps the gate of waste water disposal, to minimize the impact to the natural waters. The professional personnel training is conducted aggressively, as well as to enhance the education to the equipment maintenance personnel, to avoid possible violations to the environment laws and regulations. Based on the philosophy of environment protection and sustainable operation, the Company continuously promotes the resources and waste saving program, and thus there is no material impact to the Company.

V. Labor relations:

- (I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.

1. Employee benefits policies (measures) and the implementation:

The Company commits to various employee benefits, including bonuses of holidays, operation, performance; holidays and celebrations; birthday gift vouchers; subsidies of marriage/funeral/celebration, annual trips, employee canteen, employee stock options, and bonus shares. The employee benefit committee is also established to seek the best benefits for employees.

2. Continuing education, training, and the implementation: the Company provide various training based on the needs of employees and the clients' products: (1) management training; (2) expertise training; (3) quality training; (4) employee growth and occupational health and safety training; (5) general knowledge training; and (6) orientations for new employees.

- (1) management training: providing the managerial skill training to the management and reserved trainees.
- (2) expertise training: providing professional knowledge and skill training to the R&D, production lines, and operation personnel, and controlling the quality and effectiveness of the training via the internal certification system.
- (3) quality training: providing the serial training related to quality to ensure the product quality.
- (4) employee growth and occupational health and safety training: providing annual serial training for the awareness of the Company's quality certifications, or the courses enhancing the working efficiency of colleagues.
- (5) general knowledge training: to balance the mental and physical health status of employees, the related courses and activities are arranged. Occupational safety training is also provided pursuant to the labor safety laws and regulations.

- (6) orientations for new employee: assisting new employees to understand the Company and related regulations, so that they may infuse the collective life of the Company quickly.
- (7) For the management training, quality training, general knowledge training, orientations for new employees, employee growth and occupational health and safety training, and professional training of each department, there were a total of 277 courses provided, for a total of 703 hours with 31,971 employees trained.

Course item	Times of course	Total hours	Persons trained
Management training	8	32	150
Department expertise training	169	312	1,385
Quality training	43	159	9,899
General knowledge training	17	47	9,947
Employee growth and occupational health and safety training	28	69	10,143
Orientations for new employees	12	84	447
Total	277	703	31,971

### 3. Pension system and the implementation:

- (1) Pursuant to the “Labor Standard Act,” the Company has established the paid retirement guidelines, applicable to all the tenures of the permanent employees before the enforcement of the “Labor Pension Act” on July 1, 2005, and the tenures of these who opted to apply the “Labor Standard Act,” after the enforcement of the “Labor Pension Act.” For the employees qualified for retirement, the payment of the pension is based on the tenure and the average salaries of the six months prior to the retirement. Within 15 years, two bases are given for a full year tenure; the tenure exceeding 15 years is one base per year, and the maximum is 45 bases. The Company contributes the pension funds of 2% of the total salaries, and deposits the funds in the dedicated account in Bank of Taiwan, under the name of the Labor Pension Reserve Supervisory Committee.
- (2) From July 1, 2005, the Company established the retirement guidelines of defined contribution and the applicable targets, pursuant to the “Labor Pension Act.” For the pension systems defined by the “Labor Pension Act ” applied by employees, the Company contributes the monthly labor pension to the personal accounts of employees in the Labor Insurance Bureau with no less than 6% of their salaries. The payment of the employee pensions may be selected from either monthly pension payment from their pension account with the cumulative incomes, or receiving all the pension at once.  
The Company contributes the employee pensions to the pension accounts based on the statement sent by the Labor Insurance Bureau.
- (3) For the pensions of the employees in the reinvested Chinese companies, the pension insurances contribute a certain percentage of the total salaries of the local employees, pursuant to the pension insurance system required by the local government. The contribution percentages are all between 13% to 20%. Other than the monthly contributions, these employee pensions are managed and arranged by the governments.

### 4. The labor negotiations and the protection measures of employee interests:

- (1) Labor negotiations: the labor meetings are convened regularly for the

representative from both labor and employer to negotiate related issues, so the both parties may communicate sufficiently. The consensus is generated in the regards of work and life, content of production, and working conditions, so the objective of a harmonious labor relation is achieved.

- (2) Protection measures of employee interests: the labor insurance, affairs related to the health insurances, and the contributions of labor pensions are handled and maintained pursuant to the related laws and regulations; in addition, the occupational injury compensation and paid leaves are provided.

#### 5. Fulfillment to the CSR:

- (1) The Company has established the related management policies and procedures pursuant to the related regulations and International Bill of Human Rights: the Company complies with the related labor regulations and by respecting the internationally recognized basic labor human right principles, to protect the rightful interests of employees and applies the non-discriminative treatment regarding the employment policy, and established the proper management method, procedures. The implementation: the Company has established the internally hiring management guidelines, pursuant to regulations and internationally recognized human rights principles, to regulate the principles of employment, so that the protection to the rightful interests of employees and the non-discriminative treatment regarding the employment policy are conformed to.
- (2) Providing the safe and health workplace, and the regular health and safety training to employees: A. regular health promotion weekly; B. health seminars; C. regular outpatients by the stationed doctor to offer personal health instruction and interview to employees; D. periodical health check and screening of four cancers; E. regular visit to the workplace, identification of hazardous factors, for the purpose of occupational disease prevention; F. providing a medical room, breastfeeding rooms, and health care by professional medical care personnel; G implementation of hazard identification and risks assessment for the operational environment in plants; H. regular management, patrol, and inspections to the machines, equipment, and tools in plants; I regular operational environment examinations; J. regular health and safety, knowledge of hazards, and contingency (fire-fighting included) training; K. health and safety training and management to the contractors; L. ad-hoc promotions regarding occupational health and safety issues.
- (3) Establishment of the regular communication mechanism and the employees are informed with any operational changes possibly affect the employees materially in reasonable ways: other than the meetings convened by the employee benefit committee from time to time to discuss the employee benefit activities, the labor meetings are convened every three months, and the interaction between labors and the employer is good. Except for the announcements to the whole employees, the announcements are also published on the website for employees to check at any time. The General Manager, the General Manager of each business group also issues the quarterly letters to employees so that they may understand the changes of operations or other issues.
- (4) The effective career capabilities cultivation programs to employees provided by the Company: to enhance the capabilities and working efficiencies of employees, the Company provides courses in the regards of functions,

management, languages, quality, among other things, to seek to establish the effective career capabilities cultivation programs.

6. Employee benefits or interests actually improved from the previous year (Year 2019 up to the printing date of the annual report):
    - (1) A basket field is provided as a good sports and recreation venue to the employees, to achieve a nice balance between leisure and work.
    - (2) The Company promotes the Code of Conduct - Responsible Business Alliance (RBA), to commit the protections to the employees' rights, and thus obtain the respect and integrity agreed by the international society. We emphasize the labor rights and occupational safety, and go toward the common vision. We take good faith and integrity, seek sustainable operation, value environment protections, produce green products, take energy-saving and greenhouse emission reduction measures, and emphasize the continuous improvement of performance.
  7. Adjustment of average remuneration: the salary adjustment in 2020 is expected to be 3%.
  8. Reason of not adjusting the average remuneration: not applicable
- (II) List any losses suffered by the company in the most recent fiscal years and up to the annual report publication date due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:
- The Company always values the employees' benefit significantly, and provides outstanding workplace. The two-way communications with the employees is emphasized. Therefore in the most recent two fiscal years and up to now, all the labor disputes have been finalized successfully.

VI. Important contracts (supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the annual report, or expired in the most recent fiscal year):

Nature of Contracts	Contracting parties	Commencement dates and expiration dates	Key contents	Restrictive terms
Testing or packaging processes	Domestic and foreign clients, such as Intel, MURATAR, among other clients.	January 1, 2018 to June 5, 2024	Testing or packaging processes for various IC	Confidential to third parties
Long-term long contracts	E-Sun Bank	October 17, 2018 to September 26 2024	Credit facilities	—
	Taishin International Commercial Bank	April 30, 2018 to April 30, 2021	Credit facilities	—
	CTBC Bank	September 14, 2018 to September 14, 2021	Mortgage	Machine and equipment, land and plant
	Hwa-Nan Commercial Bank	March 27, 2017 to August 29 2020	Credit facilities	—
	Taipei Fubon Commercial Bank	March 25, 2018 to May 18, 2021	Credit facilities	—
	Changhua Commercial Bank	May 1, 2018 to July 27, 2021	Credit facilities	—
	O-Bank	April 27, 2018 to September 15, 2023	Credit facilities	—
	KGI Bank	December 7, 2018 to November 20, 2021	Credit facilities	—
	Shanghai Commercial Bank	March 29, 2018 to May 25, 2021	Credit facilities	—
	Yuanta Commercial Bank	April 8, 2019 to June 14, 2022	Credit facilities	—
	JihSun International Commercial Bank	May 24, 2018 to May 24, 2021	Credit facilities	—
	Citibank	September 10, 2018 to September 10, 2020	Credit facilities	—
	SK Bank	January 17, 2019 to January 17, 2022	Credit facilities	—
	Mega Commercial Bank	June 11, 2018 to August 23, 2024	Mortgage	Machine and equipment

## Six. Overview of Finance

I. The condensed financial statement and comprehensive statement of incomes over the past five years

(I) The condensed financial statement and comprehensive statement of incomes

1. Condensed Balance Sheet (IFRS parent company only)

Unit: NTD Thousand Dollars

Item		Year	Information of finance over the past five years				
			2015	2016	2017	2018	2019 (Note 1)
Current assets			5,454,585	4,842,108	4,631,580	5,214,389	6,999,706
Property, plant and equipment			6,004,826	6,110,734	5,943,166	6,467,789	7,957,026
Intangible assets			18,066	19,248	12,788	25,508	22,878
Other assets			970,989	2,215,571	4,112,707	4,237,739	5,337,634
Total amount of assets			12,448,466	13,187,661	14,700,241	15,945,425	20,317,244
Current liabilities	Before distribution		2,816,717	2,359,736	3,027,160	3,222,293	5,417,482
	After distribution		3,174,604	2,950,744	3,712,436	3,625,869	Note 1
Non-current liabilities			1,807,221	2,825,075	3,249,436	2,856,138	3,646,108
Total amount of liabilities	Before distribution		4,623,938	5,184,811	6,276,596	6,078,431	9,063,590
	After distribution		4,981,825	5,775,819	6,961,872	6,482,007	Note 1
Equity Attributable to Shareholders of the Parent			7,824,528	8,002,850	8,423,645	9,828,636	11,253,654
Share capital			3,598,865	3,598,865	3,600,162	3,899,558	4,206,834
Capital reserve			468,779	254,048	304,475	811,273	923,672
Retained earnings	Before distribution		3,801,321	4,204,557	4,598,390	5,166,079	6,089,115
	After distribution		3,443,434	3,613,549	3,913,114	4,762,503	Note 1
Other equity			4,983	(12,613)	(44,788)	(48,274)	34,033
Treasury stocks			(49,420)	(42,007)	(34,594)	0	0
Non-controlling equity			—	—	—	—	—
Total of equity	Before distribution		7,824,528	8,002,850	8,423,645	9,828,636	11,253,654
	After distribution		7,466,641	7,411,842	7,738,369	9,425,060	Note 1

Source: attested financial reports by the CPAs.

Note 1: The proposal of dividend distribution for 2019 has been approved by the Board of Directors on March 10, 2020.

Note 2: For the financial statements of the most recent five fiscal years have not been required by the competent authorities for correction or restatement.

## Condensed Balance Sheet (IFRS consolidated)

Unit: NTD Thousand Dollars

Item		Year	Information of finance over the past five years				
			2015	2016	2017	2018	2019 (Note 1)
Current assets			5,804,157	6,079,271	9,561,235	9,659,268	12,975,111
Property, plant and equipment			6,105,746	6,666,486	8,294,962	9,078,438	10,643,730
Intangible assets			21,095	138,205	172,674	134,985	112,245
Other assets			603,796	569,999	631,158	598,058	1,021,977
Total amount of assets			12,534,794	13,453,961	18,660,029	19,470,749	24,753,063
Current liabilities	Before distribution		2,815,408	2,527,737	5,056,460	4,047,743	6,672,432
	After distribution		3,173,295	3,118,745	5,826,975	4,451,319	Note 1
Non-current liabilities			1,807,223	2,836,705	3,278,327	3,533,134	4,557,747
Total amount of liabilities	Before distribution		4,622,631	5,364,442	8,334,787	7,580,877	11,230,179
	After distribution		4,980,518	5,955,450	9,105,302	7,984,453	Note 1
Equity Attributable to Shareholders of the Parent			7,824,528	8,002,850	8,423,645	9,828,636	11,253,654
Share capital			3,598,865	3,598,865	3,600,162	3,899,558	4,206,834
Capital reserve			468,779	254,048	304,475	811,273	923,672
Retained earnings	Before distribution		3,801,321	4,204,557	4,598,390	5,166,079	6,089,115
	After distribution		3,443,434	3,613,549	3,827,875	4,762,503	Note 1
Other equity			4,983	(12,613)	(44,788)	(48,274)	34,033
Treasury stocks			(49,420)	(42,007)	(34,594)	0	0
Non-controlling equity			87,635	86,669	1,901,597	2,061,236	2,269,230
Equity Total amount:	Before distribution		7,912,163	8,089,519	10,325,242	11,889,872	13,522,884
	After distribution		7,554,276	7,498,511	9,554,727	11,486,296	Note 1

Source: attested financial reports by the CPAs.

Note 1: The proposal of dividend distribution for 2019 has been approved by the Board of Directors on March 10, 2020.

Note 2: For the financial statements of the most recent five fiscal years have not been required by the competent authorities for correction or restatement.

## 2. Condensed Statement of Incomes (IFRS parent company only)

Unit: other than earning (loss) per share in NT\$, others in NT\$ thousand

Item	Year	Information of finance over the past five years				
		2015	2016	2017	2018	2019 (Note 1)
Operating revenue		5,025,597	5,208,044	5,355,706	5,874,100	6,130,926
Operating gross profit		1,363,913	1,355,235	1,376,372	1,670,061	1,811,754
Operating incomes		895,395	808,373	844,004	1,055,925	1,215,748
Non-operating incomes and expenses		27,247	122,026	307,595	362,483	360,371
Pre-tax net profit		922,642	930,399	1,151,599	1,418,408	1,576,119
Continuing operation Net profit of the term		760,674	776,357	989,364	1,155,307	1,294,520
Loss from discontinuing operation		—	—	—	—	—
Net profit (loss) of the term		760,674	776,357	989,364	1,155,307	1,294,520
Other comprehensive incomes of the term (Net amount after tax)		(14,426)	(27,233)	(36,698)	47,929	114,399
The total comprehensive income of the term		746,248	749,124	952,666	1,203,236	1,408,919
Net profit (loss) attributed to shareholders of the parent company		—	—	—	—	—
Net profit (loss) attributed to Non-controlling equity		—	—	—	—	—
The total comprehensive income attributed to shareholders of the parent company		—	—	—	—	—
The total comprehensive income attributed to Non-controlling equity		—	—	—	—	—
Earning per share		2.11	2.17	2.76	3.01	3.26

Source: attested financial reports by the CPAs.

Note 1: The proposal of dividend distribution for 2019 has been approved by the Board of Directors on March 10, 2020, but not yet been resolved by the shareholders meeting.

Note 2: For the financial statements of the most recent five fiscal years have not been required by the competent authorities for correction or restatement.

## Condensed Statement of Incomes (IFRS consolidated)

Unit: other than earning (loss) per share in NT\$, others in NT\$ thousand

Item	Year	Information of finance over the past five years				
		2015	2016	2017	2018	2019 (Note 1)
Operating revenue		5,054,517	5,795,609	6,831,740	9,541,489	10,046,619
Operating gross profit		1,351,282	1,608,621	1,874,977	2,657,090	3,039,462
Operating incomes		829,851	960,219	1,610,481	1,725,198	2,072,004
Non-operating incomes and		82,455	32,504	(3,656)	66,537	(1,000)
Pre-tax net profit		912,306	992,723	1,606,825	1,791,735	2,071,004
Continuing operation Net profit of the term		751,150	802,309	1,192,626	1,347,253	1,563,561
Loss from discontinuing		—	—	—	—	—
Net profit of the term		751,150	802,309	1,192,626	1,347,253	1,563,561
Other comprehensive incomes of the term (Net amount after tax)		(15,417)	(30,695)	(83,249)	96,394	71,181
The total comprehensive		735,733	771,614	1,109,377	1,443,647	1,634,742
Net profit (loss) attributed to shareholders of the parent		760,674	776,357	989,364	1,155,307	1,294,520
Net profit (loss) attributed to Non-controlling equity		(9,524)	25,952	203,262	191,946	269,041
The total comprehensive income attributed to shareholders of the parent company		746,248	749,124	952,666	1,203,236	1,408,919
The total comprehensive income attributed to Non-controlling equity		(10,515)	22,490	156,711	240,411	225,823
Earning per share		2.11	2.17	2.76	3.01	3.26

Source: attested financial reports by the CPAs.

Note 1: The proposal of dividend distribution for 2019 has been approved by the Board of Directors on March 10, 2020.

Note 2: For the financial statements of the most recent five fiscal years have not been required by the competent authorities for correction or restatement.

### (II) Names of attesting accountants and audit opinions

Year	Name of Accounting Firm	Attesting accountant	Audit Opinion
2015	PwC Taiwan	Dian-Yi Lee, Kuo-Hua Tseng	Unqualified opinion
2016		Dian-Yi Lee, Kuo-Hua Tseng	Unqualified opinion
2017		Dian-Yi Lee, Kuo-Hua Tseng	Unqualified opinion
2018		Dian-Yi Lee, Tsai-Yen Jiang	Unqualified opinion
2019		Dian-Yi Lee, Tsai-Yen Jiang	Unqualified opinion

II. Analyses of finance over the past five years  
(I) Finance analysis (IFRS unconsolidated)

Analysis Item (Note)		Analyses of finance over the past five years				
		2015	2016	2017	2018	2019
Financial structure	Debts ratio %	37.14	39.32	42.70	38.21	44.61
	Long-term Fund to Property, Plant and Equipment	160.40	177.20	196.41	196.12	187.25
Solvency (%)	Current Ratio (%)	193.65	205.20	153.00	161.82	129.21
	Quick Ratio (%)	185.96	196.25	145.05	155.00	123.93
	Times Interest Earned (Times)	37.75	21.29	17.49	27.14	27.49
Operating Performance	Receivable Turnover Rate (Times)	4.11	4.14	4.11	4.25	3.96
	Average Collection Days	89	88	89	86	92
	Inventory Turnover (Times)	59.57	51.82	50.41	55.47	61.04
	Average Payment Turnover (Times)	36.68	36.77	38.95	43.56	38.46
	Average Sales Days	7	7	7	7	6
	Property, Plant and Equipment Turnover (Times)	0.92	0.86	0.89	0.95	0.85
	Total Assets Turnover (Times)	0.42	0.41	0.38	0.38	0.34
Profitability	Return on asset (%)	6.48	6.36	7.45	7.84	7.42
	Return on Equity (%)	9.63	9.81	12.05	12.66	12.28
	Pre-tax Income to Paid-in Capital Ratio (%)	25.64	25.85	27.48	36.37	37.47
	Net Margin (%)	15.14	14.91	18.47	19.67	21.11
	Earning per share (NTD)	2.11	2.17	2.76	3.01	3.26
Cash Flow	Cash Flow Rate (%)	77.81	105.29	79.79	76.75	43.15
	Cash Flow Adequacy Ratio (%)	96.53	96.70	97.77	93.33	89.89
	Cash Reinvestment Ratio (%)	10.91	13.37	11.72	10.48	7.89
Leverage	Operating Leverage	5.51	6.31	6.21	5.44	4.97
	Financial Leverage	1.03	1.06	1.08	1.05	1.05
Please specify the reasons of each change to the financial ratios in the recent two year. (No analysis required if such increase/decrease is less than 20%)						
1.Solvency: the current ratio and quick ratio decreased, mainly because the convertible corporate bonds issued by the Company will expire within a year, and become current liabilities from non-current liabilities.						
2.Cash flow:						
(1)Decrease of cash flow rate: mainly because the current liabilities increased, and the short-term financing from banks to purchase equipment for replacement and expansion of capacity, in order to meet the operational needs.						
(2)Decrease of cash reinvestment ratio: mainly because the Company replaced equipment and expanded capacity, in order to meet the operational needs, while establishing subsidiaries in China with an optimistic view toward IC testing demands in Chinese market. The investment was approximately NTD 1.5 billion, and thus the long-term investment increased, which in turn reduced the cash reinvestment.						

## Finance analysis (IFRS consolidated)

Analysis Item (Note)		Analyses of finance over the past five years				
		2015	2016	2017	2018	2019
Financial structure	Debts ratio %	36.88	39.87	44.67	38.93	45.37
	Long-term Fund to Property, Plant and Equipment	159.18	163.90	164.00	169.89	169.87
Solvency (%)	Current Ratio (%)	206.16	240.50	189.09	238.63	194.46
	Quick Ratio (%)	198.29	231.98	182.79	229.96	187.83
	Times Interest Earned (Times)	37.34	22.60	23.39	25.87	26.71
Operating Performance	Receivable Turnover Rate (Times)	3.91	4.01	3.18	3.68	3.59
	Average Collection Days	94	91	115	99	101.67
	Inventory Turnover (Times)	54.89	56.12	42.68	45.64	41.67
	Average Payment Turnover (Times)	33.81	37.38	26.23	32.09	34.31
	Average Sales Days	7	7	9	8	9
	Property, Plant and Equipment Turnover (Times)	0.9	0.91	0.91	1.1	1.02
	Total Assets Turnover (Times)	0.42	0.45	0.43	0.5	0.45
Profitability	Return on asset (%)	6.34	6.46	7.76	7.35	7.35
	Return on Equity (%)	9.4	10.03	12.95	12.13	12.31
	Pre-tax Income to Paid-in Capital Ratio (%)	25.35	27.58	44.63	45.95	49.23
	Net Margin (%)	14.86	13.84	17.46	14.12	15.56
	Earning per share (NTD)	2.11	2.17	2.76	3.01	3.26
Cash Flow	Cash Flow Rate (%)	77.85	97.77	55.30	100.7	52.68
	Cash Flow Adequacy Ratio (%)	92.94	92.94	95.16	98.24	98.25
	Cash Reinvestment Ratio (%)	10.79	12.19	8.96	10.43	7.74
Leverage	Operating Leverage	5.98	5.92	4.15	5.35	4.75
	Financial Leverage	1.03	1.05	1.05	1.04	1.04

Please specify the reasons resulting in changes of financial ratios in the recent two fiscal years (changes less than 20% may be excluded)

1. Cash flow

(1) Decrease of the cash flow ratio: mainly because the current liabilities increased; in 2019, to meet the operating needs, the Company purchased equipment with short-term borrowings from banks to replace equipment and expand the capacity.

(2) Decrease of cash reinvestment ratio: mainly because in 2019, to meet the operating needs, the Company replaced equipment and expanded the capacity, and thus the cash in investments decreased.

Source: attested financial reports by the CPAs.

Note 1: the formula of calculations are as following:

1. Financial structure
  - (1) Debts ratio = total amount of liabilities/ total amount of assets.
  - (2) Long-term Fund to Property, Plant and Equipment = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment
2. Solvency
  - (1) Current Ratio = Current Assets / Current Liabilities
  - (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
  - (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses
3. Operating Performance
  - (1) Receivables (including accounts receivable and the notes receivable due to operation) = Net Sales / Average Trade Receivables (including receivable accounts and the notes receivable due to operation)
  - (2) Average Collection Days = 365 / Receivable Turnover Rate
  - (3) Average Inventory Turnover = Cost of Sales / Average Inventory
  - (4) Payable (including accounts payable and the notes payable due to operation) = Cost of Sales / Average Trade Payables (including accounts payable and the notes payable due to operation)
  - (5) Average Sales Days = 365 / Inventory Turnover
  - (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment.
  - (7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability

- (1) Return on Total Assets =  $(\text{Net Income} + \text{Interest Expenses} * (1 - \text{Effective Tax Rate})) / \text{Average Total Assets}$
- (2) Return on Equity =  $\text{After-tax Income} / \text{Average Equity}$
- (3) Net Margin =  $\text{Net Income} / \text{Net Sales}$
- (4) Earnings Per Share =  $(\text{Net Income Attributable to Shareholders of the Parent} - \text{Preferred Stock Dividend}) / \text{Weighted Average Number of Shares Outstanding (Note 4)}$

5. Cash Flow

- (1) Cash Flow Ratio =  $\text{Net Cash Provided by Operating Activities} / \text{Current Liabilities}$
- (2) Cash Flow Adequacy Ratio =  $\text{Five-year Sum of Cash from Operations} / \text{Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend}$ .
- (3) Cash Reinvestment Ratio =  $(\text{Cash Provided by Operating Activities} - \text{Cash Dividends}) / (\text{Gross Property, Plant and Equipment} + \text{Long-term Investments} + \text{Other Noncurrent Assets} + \text{Working Capital})$  (Note 6)

6. Leverage

- (1) Operating Leverage =  $(\text{Net Sales} - \text{Variable Cost}) / \text{Income from Operations}$  (Note 7)
- (2) Financial Leverage =  $\text{Income from Operations} / (\text{Income from Operations} - \text{Interest Expenses})$

Note 5: For the aforementioned formula of EPS, please note the following matters when measuring:

1. The basis shall be the weighted average common shares, but not the issued shares at the year end.
2. Shall there be any cash capital increase or treasury stock transaction, the calculation of weighted average shares shall take their outstanding period into account.
3. Shall there be capitalization of retained earnings or capitalization of capital reserves, when calculating the annual and semi-annual EPS for the previous years, the retrospective adjustment shall be made based on the proportion of capitalization, without considering the issuance period of such capitalization.
4. In cases where preferential shares are the non convertible cumulative preference shares, the dividends of the year (distributed or not), shall be deducted from the after-tax net profit, or added to the after-tax net loss. If the preferential shares are not cumulative in nature, in case there is after-tax net profit, the dividends of preferential shares shall be deducted from the after-tax net profit; no adjustment is required if there is loss.

Note 6: For the cash flow analysis, please note the following matters when measuring:

5. Net cash flow from operating activities refer to the net cash flows from operating activities indicated in the Statement of cash flow.
6. Capital expenditure means the annual cash outflows of the capital investments.
7. Increase of inventory is only accounted for when the balance at the end of the term is greater than the balance at the beginning of the term; if the inventory decreases at the end of the year, it is accounted as zero.
8. Cash dividends include the cash dividends of common and preferential shares.
9. Gross amount of property, plant, and equipment refers to the total amount of property, plant, and equipment before accumulated amortization.

Note 7: The operating costs and expenses shall be divided as fixed or variable by the Issuer; if the estimation or subjective judgment is involved, the reasonableness and consistency shall be maintained.

Note 8: For foreign companies, the aforementioned paid-in capital ratio is replaced by the ratio to the net value.

III. Audit report of the financial reports from the Audit Committee for the most recent year

Sigurd Microelectronics Corporation

Audit Committee's Report

The Board of Directors has prepared and submitted the Company's 2019 Business Report, Financial Statements, and earning distribution proposal, of which, the Company's 2019 Financial Statements have been audited and certified by CPAs Tien-Yi Li and Tsai-Yen Chiang of PwC Taiwan, and an audit report is issued. The Business Report, Financial Statements, and earning distribution proposal have been reviewed by the Audit Committee. We, the Audit Committee, have duly examined the aforementioned reports as correct and accurate. We hereby report to the 2019 Annual General Shareholders' Meeting in pursuant to Article 14-4 of the Securities and Exchange Act, as well as Article 219 of the Company Act.

To

2020 Annual General Shareholders' Meeting

Sigurd Microelectronics Corporation

Convener of the Audit Committee: Wen-Bin Wu

March 12, 2020

#### IV. Financial reports for the most recent year

### **Representation Letter**

In connection with the Consolidated Financial Statements of Affiliated Enterprises of Sigurd Microelectronics Corporation (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2019 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of Sigurd Microelectronics Corporation and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10, as well as that, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, Sigurd Microelectronics Corporation does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

Sigurd Microelectronics Corporation

By

Shin-Yang Huang    Chairman

March 10, 2020

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 19000294

To the Board of Directors and Shareholders of Sigurd Microelectronics Corporation

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Sigurd Microelectronics Corporation and subsidiaries (the “Sigurd Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, as described in the *Other matters* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sigurd Group as at December 31, 2019 and 2018, and its consolidated financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audits 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 (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Sigurd Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matter***

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

Key audit matter for Sigurd Group's consolidated financial statements of the current period is stated as follows:

### ***Capitalization of property, plant and equipment***

#### Description

Sigurd Group increased its capital expenditure to meet its operational needs. Please refer to Note 4 (15) for accounting policies on property, plant and equipment, and Note 6(7) for details of property, plant and equipment. Considering that capitalization of property, plant and equipment is significant to Sigurd Group's financial statements, thus, we identified the audit of capitalization of property, plant and equipment as a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

Assessed and tested the effectiveness of the internal control system on additions to property, plant and equipment and provision timing of depreciation, as well as sample tested and verified respective purchase orders and invoices to ensure that transactions were approved accordingly and recognized amounts were accurate. Sample tested and examined the acceptance documents to validate whether the timing that assets are ready for use and are recorded in property listing is appropriate and confirm that depreciation is provided properly.

### ***Other matter – Audited by Other Independent Accountants***

We did not audit the financial statements of certain consolidated subsidiaries. Those financial statements were audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements was based solely on the reports of other independent accountants. Total assets of those

consolidated subsidiaries amounted to NT\$232,480 thousand, constituting 0.94% of the consolidated total assets as at December 31, 2019, and total operating revenues amounted to NT\$72,009 thousand, constituting 0.72% of the total operating revenues for the year ended December 31, 2019.

***Other matter–Parent company only financial statements***

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Sigurd Group’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 the management either intends to liquidate the Sigurd Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Sigurd Group’s financial reporting process.

***Auditor’s responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

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Li, Tien-Yi

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Chiang, Tsai-Yen

For and on behalf of PricewaterhouseCoopers, Taiwan  
March 10, 2020

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

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

**SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 4,620,939	19	\$ 4,338,605	22
1110	Current financial assets at fair value through profit or loss	6(2)	338,007	1	158,981	1
1136	Current financial assets at amortized cost	6(4)	4,299,888	17	2,266,170	12
1140	Current contract assets	6(18)	120,675	1	93,882	1
1150	Notes receivable, net	6(5)	672	-	121	-
1170	Accounts receivable, net	6(5)	3,068,433	12	2,404,824	12
1180	Accounts receivable - related parties, net	6(5) and 7	5,624	-	9,958	-
1200	Other receivables		49,638	-	21,182	-
1220	Current tax assets		12	-	9	-
130X	Inventories	6(6)	169,988	1	144,746	1
1410	Prepayments		272,087	1	210,005	1
1470	Other current assets	8	29,148	-	10,785	-
11XX	<b>Total current assets</b>		<u>12,975,111</u>	<u>52</u>	<u>9,659,268</u>	<u>50</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	495,733	2	535,645	3
1535	Non-current financial assets at amortised cost	6(4) and 8	50,700	-	19,700	-
1600	Property, plant and equipment	6(7) and 8	10,643,730	43	9,078,438	46
1755	Right-of-use assets	6(8)	395,929	2	-	-
1780	Intangible assets		112,245	1	134,985	1
1840	Deferred tax assets	6(24)	42,234	-	24,662	-
1900	Other non-current assets		37,381	-	18,051	-
15XX	<b>Total non-current assets</b>		<u>11,777,952</u>	<u>48</u>	<u>9,811,481</u>	<u>50</u>
1XXX	<b>Total assets</b>		<u>\$ 24,753,063</u>	<u>100</u>	<u>\$ 19,470,749</u>	<u>100</u>

(Continued)

**SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(9) and 8	\$ 640,712	3	\$ 89,491	1
2130	Current contract liabilities	6(18)	10,202	-	776	-
2150	Notes payable		2,410	-	-	-
2170	Accounts payable		227,422	1	178,648	1
2219	Other payables	6(10)	2,128,032	9	1,313,177	7
2230	Current income tax liabilities		335,686	1	259,927	1
2250	Current provisions		2,794	-	8,017	-
2280	Current lease liabilities		98,690	-	-	-
2300	Other current liabilities	6(11)(12) and 8	3,226,484	13	2,197,707	11
21XX	<b>Total current liabilities</b>		<u>6,672,432</u>	<u>27</u>	<u>4,047,743</u>	<u>21</u>
<b>Non-current liabilities</b>						
2530	Bonds payable	6(11)	1,162,846	5	345,694	2
2540	Non-current portion of long-term borrowings	6(12) and 8	2,840,387	11	2,950,769	15
2570	Deferred tax liabilities	6(24)	42,490	-	42,846	-
2580	Non-current lease liabilities		297,175	1	-	-
2600	Other non-current liabilities	6(13)	214,849	1	193,825	1
25XX	<b>Total non-current liabilities</b>		<u>4,557,747</u>	<u>18</u>	<u>3,533,134</u>	<u>18</u>
2XXX	<b>Total liabilities</b>		<u>11,230,179</u>	<u>45</u>	<u>7,580,877</u>	<u>39</u>
<b>Equity</b>						
<b>Equity attributable to owners of parent</b>						
<b>Share capital</b>						
3110	Ordinary share	6(14)	4,206,834	17	3,899,558	20
<b>Capital surplus</b>						
3200	Capital surplus	6(15)	923,672	4	811,273	4
<b>Retained earnings</b>						
3310	Legal reserve	6(16)	1,218,457	5	1,102,926	6
3320	Special reserve		48,273	-	44,787	-
3350	Unappropriated retained earnings		4,822,385	20	4,018,366	21
<b>Other equity interest</b>						
3400	Other equity interest	6(17)	34,033	-	( 48,274)	( 1)
31XX	<b>Equity attributable to owners of parent</b>		<u>11,253,654</u>	<u>46</u>	<u>9,828,636</u>	<u>50</u>
36XX	<b>Non-controlling interests</b>		2,269,230	9	2,061,236	11
3XXX	<b>Total equity</b>		<u>13,522,884</u>	<u>55</u>	<u>11,889,872</u>	<u>61</u>
<b>Significant contingent liabilities and unrecognized contract commitments</b>						
<b>Significant subsequent events</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 24,753,063</u>	<u>100</u>	<u>\$ 19,470,749</u>	<u>100</u>

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

**SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

Items	Notes	Years ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 <b>Operating revenue</b>	6(18) and 7	\$ 10,046,619	100	\$ 9,541,489	100
5000 <b>Operating costs</b>	6(6)(22)(23)	( 7,007,157)	( 70)	( 6,884,399)	( 72)
5950 <b>Gross profit from operations</b>		<u>3,039,462</u>	<u>30</u>	<u>2,657,090</u>	<u>28</u>
<b>Operating expenses</b>	6(22)(23)				
6100 Selling expenses		( 165,850)	( 2)	( 159,625)	( 2)
6200 Administrative expenses		( 519,405)	( 5)	( 478,043)	( 5)
6300 Research and development expenses		( 282,721)	( 3)	( 294,224)	( 3)
6450 Net impairment gain on financial assets	12(2)	<u>518</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000 <b>Total operating expenses</b>		<u>( 967,458)</u>	<u>( 10)</u>	<u>( 931,892)</u>	<u>( 10)</u>
6900 <b>Operating profit</b>		<u>2,072,004</u>	<u>20</u>	<u>1,725,198</u>	<u>18</u>
<b>Operating income and expenses</b>					
7010 Other income	6(19)	123,655	1	75,873	1
7020 Other gains and losses	6(20)	( 44,104)	-	62,722	1
7050 Finance costs	6(21)	( 80,551)	( 1)	( 72,058)	( 1)
7000 <b>Total non-operating income and expenses</b>		<u>( 1,000)</u>	<u>-</u>	<u>66,537</u>	<u>1</u>
7900 <b>Profit before income tax</b>		<u>2,071,004</u>	<u>20</u>	<u>1,791,735</u>	<u>19</u>
7950 Income tax expense	6(24)	( 507,443)	( 5)	( 444,482)	( 5)
8000 <b>Profit from continuing operations</b>		<u>1,563,561</u>	<u>15</u>	<u>1,347,253</u>	<u>14</u>
8200 <b>Profit for the year</b>		<u>\$ 1,563,561</u>	<u>15</u>	<u>\$ 1,347,253</u>	<u>14</u>

(Continued)

SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES  
STATEMENTS OF COMPREHENSIVE INCOME  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

	Items	Notes	Years ended December 31			
			2019		2018	
			AMOUNT	%	AMOUNT	%
	<b>Other comprehensive income (loss)</b>	6(3)(13)(17)				
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
8311	Losses on remeasurements of defined benefit plans		(\$ 13,208)	-	(\$ 12,807)	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income		175,607	2	4,810	-
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>		162,399	2	(7,997)	-
	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>	6(17)				
8361	Exchange differences on translation		(91,218)	(1)	104,391	1
8360	<b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>		(91,218)	(1)	104,391	1
8300	<b>Other comprehensive income</b>		\$ 71,181	1	\$ 96,394	1
8500	<b>Total comprehensive income</b>		\$ 1,634,742	16	\$ 1,443,647	15
	<b>Profit, attributable to:</b>					
8610	Profit, attributable to owners of parent		\$ 1,294,520	12	\$ 1,155,307	12
8620	Profit, attributable to non-controlling interests		269,041	3	191,946	2
	<b>Total profit</b>		\$ 1,563,561	15	\$ 1,347,253	14
	<b>Comprehensive income attributable to:</b>					
8710	Owners of parent		\$ 1,408,919	14	\$ 1,203,236	12
8720	Non-controlling interests		225,823	2	240,411	3
	<b>Total comprehensive income</b>		\$ 1,634,742	16	\$ 1,443,647	15
	<b>Basic earnings per share</b>	6(25)				
9750	<b>Basic earnings per share</b>		\$	3.26	\$	3.01
	<b>Diluted earnings per share</b>	6(25)				
9850	<b>Diluted earnings per share</b>		\$	3.16	\$	2.88

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

**SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Equity Attributable to Owners of The Parent														
	Notes	Retained Earnings					Other Equity Interest					Total	Non-Controlling Interests	Total Equity	
		Ordinary Share	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) from Financial Assets Measured at Fair Value through Other Comprehensive Income	Unrealized Gains (Losses) on Available For Sales Financial Assets	Treasury Shares					
<b>2018</b>															
Balance at January 1, 2018		\$ 3,600,162	\$ 304,475	\$ 1,003,990	\$ 12,612	\$ 3,581,788	(\$ 10,066)	\$ -	(\$ 34,722)	(\$ 34,594)	\$ 8,423,645	\$ 1,901,597	\$ 10,325,242		
Effect of retrospective application of new standards	6(17)	-	-	-	-	126,409	-	( 97,165)	34,722	-	63,966	4,467	68,433		
Balance at 1 January after adjustments		3,600,162	304,475	1,003,990	12,612	3,708,197	( 10,066)	( 97,165)	-	( 34,594)	8,487,611	1,906,064	10,393,675		
Profit for the year		-	-	-	-	1,155,307	-	-	-	-	1,155,307	191,946	1,347,253		
Other comprehensive (loss) income for the year	6(3)(17)	-	-	-	-	( 11,028)	54,147	4,810	-	-	47,929	48,465	96,394		
Total comprehensive income		-	-	-	-	1,144,279	54,147	4,810	-	-	1,203,236	240,411	1,443,647		
Distribution of 2017 earnings	6(16)														
Legal reserve		-	-	98,936	-	( 98,936)	-	-	-	-	-	-	-		
Special reserve		-	-	-	32,175	( 32,175)	-	-	-	-	-	-	-		
Cash dividends		-	-	-	-	( 685,275)	-	-	-	( 685,275)	-	( 685,275)	-		
Conversion of corporate bond	6(11)(14)(15)	313,396	509,668	-	-	-	-	-	-	-	823,064	-	823,064		
Write off of treasury stock	6(14)(15)	( 14,000)	( 2,870)	-	-	( 17,724)	-	-	-	34,594	-	-	-		
Non-controlling interest changes		-	-	-	-	-	-	-	-	-	-	( 85,239)	( 85,239)		
Balance at December 31, 2018		\$ 3,899,558	\$ 811,273	\$ 1,102,926	\$ 44,787	\$ 4,018,366	\$ 44,081	(\$ 92,355)	\$ -	\$ -	\$ 9,828,636	\$ 2,061,236	\$ 11,889,872		
<b>2019</b>															
Balance at January 1, 2019		\$ 3,899,558	\$ 811,273	\$ 1,102,926	\$ 44,787	\$ 4,018,366	\$ 44,081	(\$ 92,355)	\$ -	\$ -	\$ 9,828,636	\$ 2,061,236	\$ 11,889,872		
Profit for the year		-	-	-	-	1,294,520	-	-	-	-	1,294,520	269,041	1,563,561		
Other comprehensive (loss) income for the year	6(3)(17)	-	-	-	-	( 10,428)	( 50,780)	175,607	-	-	114,399	( 43,218)	71,181		
Total comprehensive income		-	-	-	-	1,284,092	( 50,780)	175,607	-	-	1,408,919	225,823	1,634,742		
Distribution of 2018 earnings	6(16)														
Legal reserve		-	-	115,531	-	( 115,531)	-	-	-	-	-	-	-		
Special reserve		-	-	-	3,486	( 3,486)	-	-	-	-	-	-	-		
Cash dividends		-	-	-	-	( 403,576)	-	-	-	( 403,576)	-	( 403,576)	-		
Cash dividends distribution from capital surplus	6(15)(16)	-	( 403,576)	-	-	-	-	-	-	( 403,576)	-	( 403,576)	-		
Proceeds from issuing bonds	6(15)	-	43,697	-	-	-	-	-	-	-	43,697	-	43,697		
Conversion of corporate bond	6(14)(15)	137,276	191,778	-	-	-	-	-	-	-	329,054	-	329,054		
Cash capital increase	6(14)(15)	170,000	280,500	-	-	-	-	-	-	-	450,500	-	450,500		
Disposal of equity instruments at fair value through other comprehensive income	6(3)(17)	-	-	-	-	42,520	( 42,520)	-	-	-	-	-	-		
Non-controlling interest changes		-	-	-	-	-	-	-	-	-	-	( 17,829)	( 17,829)		
Balance at December 31, 2019		\$ 4,206,834	\$ 923,672	\$ 1,218,457	\$ 48,273	\$ 4,822,385	(\$ 6,699)	\$ 40,732	\$ -	\$ -	\$ 11,253,654	\$ 2,269,230	\$ 13,522,884		

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

SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31	
		2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 2,071,004	\$ 1,791,735
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(22)	2,445,848	2,195,846
Amortization	6(22)	72,970	65,582
Net impairment gain on financial assets	12(2)	( 518 )	-
Net profit on financial assets at fair value through	6(2)(20)	( 8,020 )	7,889
Interest expense	6(21)	80,551	72,058
Interest income	6(19)	( 77,438 )	( 47,515 )
Dividend income	6(19)	( 9,119 )	( 157 )
Gain on disposal of property, plant and equipment	6(20)	( 37,048 )	( 36,259 )
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through		( 171,006 )	( 57,594 )
Contract assets		( 27,173 )	( 25,449 )
Notes receivable		1,007	213
Accounts receivable		( 893,326 )	244,431
Accounts receivable-related parties		11,436	( 3,035 )
Compensate receivable		296,489	441,538
Other receivables		( 24,518 )	4,025
Inventories		( 3,320 )	( 1,734 )
Prepayments		( 96,090 )	19,698
Other current assets		44,382	( 7,751 )
Other non-current assets		( 379 )	( 1,724 )
Other financial assets		-	4,929
Changes in operating liabilities			
Contract liabilities		9,426	( 93 )
Notes payable		263	( 1,346 )
Accounts payable		13,274	( 70,373 )
Other payables		209,262	( 69,775 )
Provisions		( 5,120 )	528
Other current liabilities		73,316	16,354
Defind benefit liabilities		( 19,795 )	( 2,326 )
Other non-current liabilities		10,842	1,041
Cash inflow generated from operations		3,967,200	4,540,736
Interest received		73,350	46,552
Dividend received		9,119	157
Interest paid		( 87,057 )	( 79,747 )
Income tax paid		( 447,522 )	( 431,588 )
Net cash flows from operating activities		3,515,090	4,076,110

(Continued)

**SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31	
		2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of financial assets at amortized cost		( \$ 8,024,254 )	( \$ 260,472 )
Proceed from disposal of financial assets at		5,937,592	-
Acquisition of financial assets at fair value through		( 30,000 )	-
Proceeds from disposal of financial assets at fair	6(3)	245,520	-
Acquisition of property, plant and equipment	6(28)	( 3,288,873 )	( 2,859,827 )
Proceeds from disposal of property, plant and		58,159	65,236
Increase in refundable deposits		( 9,632 )	-
Decrease in refundable deposits		-	3,979
Acquisition of intangible assets		( 24,127 )	( 27,893 )
Cash inflows from acquisition of subsidiaries	6(26)	9,807	-
Net cash flows used in investing activities		( 5,125,808 )	( 3,078,977 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in short-term borrowings	6(29)	521,874	( 333,575 )
Proceeds from issuance of convertible bonds	6(29)	1,203,165	-
Proceeds from long-term borrowings	6(29)	10,767,938	6,200,932
Repayments of long-term borrowings	6(29)	( 9,976,786 )	( 5,779,793 )
Repayments of principal portion of lease liabilities	6(29)	( 150,697 )	-
Payments of cash dividends	6(16)	( 403,576 )	( 685,275 )
Cash distribution from capital surplus	6(15)(16)	( 403,576 )	-
Payments of cash dividends for non-controlling	4(3)	( 78,683 )	( 85,239 )
Increase in guarantee deposits received	6(29)	( 2,913 )	( 1,568 )
Decrease in guarantee deposits received	6(29)	2,578	-
Proceeds from issuance of share capital	6(14)(15)	450,500	-
Net cash flows from (used in) financing		1,929,824	( 684,518 )
Effect of changes in exchange rate		( 36,772 )	73,785
Net increase in cash and cash equivalents		282,334	386,400
Cash and cash equivalents at beginning of year	6(1)	4,338,605	3,952,205
Cash and cash equivalents at end of year	6(1)	\$ 4,620,939	\$ 4,338,605

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

SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS  
OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Sigurd Microelectronics Corporation (formerly named More Power Electronic Co., Ltd.; hereafter “the Company”) was established in the Republic of China (R.O.C.) on December 15, 1988. In 1998, the Company acquired Sigurd Corporation, via assets purchase (the acquired company was liquidated and dissolved after the merger), in order to expand and provide unified packaging and testing services to customers. The name of the Company was changed to Sigurd Microelectronics Corporation on November 27, 1998. The main business items of the Company and its subsidiaries (collecting referred herein as “Sigurd Group”) include the design, processing, testing, burn-in treatment, manufacture, trading, etc., of integrated circuits.

On February 11, 2004, the Company’s Board of Directors resolved to acquire Ucomm Caesar Technology Co., Ltd., whose main business was RF testing. The Company is the surviving company and Ucomm Caesar Technology Co., Ltd. is the dissolved company. After the merger, the Company’s name “Sigurd Microelectronics Corporation” was retained. The effective date for the mergers and acquisitions (M&A) case was March 1, 2005.

On December 30, 2005, the Company’s Board of Directors resolved to acquire ASI Semiconductor Co., Ltd., whose main business was integrated circuit testing. The Company is the surviving company and ASI Semiconductor Co., Ltd. is the dissolved company. After the merger, the Company’s name “Sigurd Microelectronics Corporation” was retained. The effective date for the M&A case was June 12, 2006.

On May 8, 2013, the Company’s Board of Directors resolved to acquire Meicer Semiconductor Co., Ltd., whose main business was circuit packaging. The Company is the surviving company. The effective date for the M&A case was May 31, 2013.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 10, 2020.

### 3. APPLICATION OF NEW STANDS, 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 FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standard Board (“IASB”)</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to Sigurd Group’s financial condition and financial performance based on Sigurd Group’s assessment.

#### A. IFRS 16, ‘Leases’

- (a) IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognize a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- (b) Sigurd Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations., and SIC Interpretations as endorsed by FSC (collectively referred hereafter as the “IFRSs”). Accordingly, Sigurd Group increased ‘right-of-use asset’ by \$170,649, increased ‘lease liability’ by \$170,649 with respect to the lease contracts of lessees on January 1, 2019.
- (c) Sigurd Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
  - i. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously

identified as leases applying IAS 17 and IFRIC 4.

- ii. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - iii. The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$49,244 was recognized for the year ended December 31, 2019.
  - iv. The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
  - v. The use of hindsight in determining the lease term where the contract contains options to extend the lease.
- (d) Sigurd Group calculated the present value of lease liabilities by using incremental borrowing interest rate range from 1.3877% to 2.8321%.
- (e) Sigurd Group recognized lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 251,132
Less: Short-term leases	( 49,244)
Less: Low-value assets	( 29,999)
Add/Less: Adjustments as a result of a different treatment of extension and termination options	<u>767</u>
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	<u>\$ 172,656</u>
Incremental borrowing interest rate at the date of initial application	<u>1.3877%~2.8321%</u>
Lease liabilities recognized as at January 1, 2019 by applying IFRS 16	<u>\$ 170,649</u>

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendment to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020

The above standards and interpretations have no significant impact to Sigurd Group’s financial condition and financial performance based on Sigurd Group’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 IASB</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 IASB
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

The consolidated financial statements are the first consolidated financial statements prepared by Sigurd Group in accordance with IFRSs.

##### (2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized 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 IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Sigurd Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

##### (3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in Sigurd Group's consolidated financial statements. Subsidiaries are all entities controlled by Sigurd Group. Sigurd Group controls an entity when Sigurd Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date Sigurd Group obtains control of the

- subsidiaries and ceases when Sigurd Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within Sigurd Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by Sigurd Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2019	December 31, 2018	
Sigurd Corporation	Sigurd International Co., Ltd.	Investment company	100	100	
Sigurd Corporation	Brugurd Co., Ltd.	International trade company	100	100	
Sigurd Corporation	TEST-SERV Inc.	Semiconductor assembly and testing	100	100	
Sigurd Corporation	Bloomeria Limited	Investment company	100	100	
Sigurd Corporation	AMBERSAN medical technology Co., Ltd.	Medical equipment manufacturing and sales	55	-	Note 1
Sigurd Corporation	Flatek, Inc.	Digital information supply service	58.77	-	Note 3
Sigurd Corporation	Flusol Co., Ltd.	Investment company	96.66	-	Note 4
Sigurd International Co., Ltd.	Sigurd Microelectronics (Cayman) Co., Ltd.	International trade company	78.33	78.33	
Sigurd International Co., Ltd.	Flusol Co., Ltd.	Investment company	3.34	100	Note 4

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2019	December 31, 2018	
Flusol co., Ltd	Flusol (Shenzhen) Co., Ltd.	Commodity broker, commodity brokerage, and integrated circuit design	100	100	
Flusol co., Ltd	SIRIZE Technology (Suzhou) Corp.	Design of testing application for integrated circuits and advanced service of circuits testing for integrated circuit	100	-	Note 2
Sigurd Microelectronics (Cayman) Co., Ltd.	Sigurd Micro Electronics (Wuxi) Co., Ltd.	Production and sales of microelectronic products	100	100	
Bloomeria Limited	Winstek Semiconductor Co., Ltd.	Research, design and testing of integrated circuits	51.88	51.88	
Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	Services of turnkey wafer bumping and wafer level packaging	100	100	
Flatek, Inc.	OPS Electronic Limited	Investment company	100	-	Note 3
Flatek, Inc.	TPFUSION INC,	Digital information supply service	75	-	Note 3
Flatek, Inc.	Valuenet International Limited	Digital information supply service	100	-	Note 3
OPS Electronic Limited.	OPS Electronic (ShenZhen) Limited	Manufacture and sales of IC programmers and its parts, IC copiers, components for chip testers and electronic components	100	-	Note 3
TPFUSION, INC	TPfusion Corp.	Electronic information supply service	98	-	Note 3

Note 1: AMBERSAN Medical Technology Co., Ltd. was established on September 19, 2019.

The Company invested \$18,150 to obtain its 55% shareholding.

Note 2: Flusol Co., Ltd. established SIRIZE Technology (Suzhou) Corp, in November 2019.

Note 3: On September 6, 2019, the Company completed the acquisition of 58.77% shareholding of Flatek, Inc. amounting to \$100,000 in cash. Since then, Flatek Inc.'s subsidiaries were included in Sigurd Group's consolidated financial statements.

Note 4: Flusol Co., Ltd., a foreign subsidiary originally wholly-owned by Sigurd International Co., Ltd., increased its capital by cash, amounting to US\$ 45,000. The company has made the investment directly by remitting US\$ 25,000 (NT\$ 757,400) as Flusol Co., Ltd.'s capital. As of December 31, 2019, the Company held 96.66% of Flusol Co., Ltd.'s shareholding ownership.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to Sigurd Group:

As of December 31, 2019, and 2018, the non-controlling interest amounted to \$2,269,230 and \$2,061,236, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest				Description
		December 31, 2019		December 31, 2018		
		Amount	Ownership (%)	Amount	Ownership (%)	
Winstek Semiconductor Co., Ltd. and Subsidiaries	Taiwan	\$2,192,456	48.12%	\$2,026,270	48.12%	

Summarised financial information of the subsidiaries:

Balance sheets

	Winstek Semiconductor Co., Ltd. and Subsidiaries	
	December 31, 2019	December 31, 2018
Current assets	\$ 4,206,648	\$ 3,636,955
Non-current assets	2,209,397	2,143,056
Current liabilities	( 889,134)	( 541,508)
Non-current liabilities	( 637,915)	( 664,092)
Total net assets	\$ 4,888,996	\$ 4,574,411

## Statements of comprehensive income

	Winstek Semiconductor Co., Ltd. and Subsidiaries	
	Year ended December 31, 2019	Year ended December 31, 2018
Revenue	\$ 2,942,669	\$ 2,869,643
Profit before income tax	740,633	456,212
Income tax expense	( 172,990)	( 126,392)
Profit from continuing operations	567,643	329,820
Profit for the year	567,643	329,820
Other comprehensive (loss) income, net of tax	( 89,544)	102,151
Total comprehensive income for the year	\$ 478,099	\$ 431,971
Comprehensive income attributable to non-controlling interest	\$ 244,869	\$ 209,643
Dividends paid to non-controlling interest	\$ 78,683	\$ 85,239

## Statements of cash flows

	Winstek Semiconductor Co., Ltd. and Subsidiaries	
	Year ended December 31, 2019	Year ended December 31, 2018
Net cash provided by operating activities	\$ 1,013,720	\$ 1,528,734
Net cash used in investing activities	( 1,510,906)	( 682,398)
Net cash used in financing activities	( 335,765)	( 451,176)
Effect of exchange rates on cash and cash equivalents	( 11,122)	30,650
(Decrease) increase in cash and cash equivalents	( 844,073)	425,810
Cash and cash equivalents, beginning of year	1,275,492	849,682
Cash and cash equivalents, end of year	\$ 431,419	\$ 1,275,492

### (4) Foreign currency translation

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

#### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized 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 recognized 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 recognized 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 recognized 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 based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

#### B. Translation of foreign operations

- (a) The operating results and financial position of all Sigurd Group entities, that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet; and
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when Sigurd Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

#### (5) Classification of current and non-current items

##### A. Assets that meet one of the following criteria are classified as current assets:

- (a) Assets arising from operating activities that are expected to be realized, 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 realized within twelve months from the balance sheet date;
- (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.

Sigurd Group classifies the assets which do not meet the above criteria as non-current assets.

B. Liabilities that meet one of the following criteria are classified as 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;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than 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.

Sigurd Group classifies the liabilities which do not meet the above criteria as non-current liabilities.

#### (6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized 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 recognized and derecognized using trade date accounting.
- C. At initial recognition, Sigurd Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. Sigurd Group subsequently measures the financial assets at fair value and recognizes the gain or loss in profit or loss.
- D. Sigurd Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to Sigurd Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which Sigurd Group has made an irrevocable election at

initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

- (a) The objective of Sigurd Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (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 fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, Sigurd Group measures the financial assets at fair value plus transaction costs. Sigurd Group subsequently measures the financial assets at fair value:
- (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to Sigurd Group and the amount of the dividend can be measured reliably.
  - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
- (a) The objective of Sigurd Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, Sigurd Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.
- D. Sigurd Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle Sigurd Group a legal right to receive consideration in

exchange for transferred goods or rendered services.

- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

Sigurd Group derecognizes 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 Sigurd Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, Sigurd Group has not retained control of the financial asset.

(13) Operating leases (lessor)

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

(14) Inventories

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

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during

the construction period are capitalized.

- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Sigurd Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost 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	50 ~ 60 years
Machinery and equipment	1 ~ 8 years
Office equipment	3 ~ 5 years
Other equipment	1 ~ 8 years

(16) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

Effective 2019

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by Sigurd Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.  
Sigurd Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise 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 initial direct costs incurred by the lessee.

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 recognized as an adjustment to the right-of-use asset.

(17) Operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(18) Intangible assets

A. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 5 years.

B. Technical rights

Technical rights are recognized by acquisition cost and amortized over the estimated useful life of 7 years using the straight-line method based on economic benefits or contractual terms.

(19) Impairment of non-financial assets

Sigurd Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized 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 recognizing 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 amortized historical cost would have been if the impairment had not been recognized.

(20) Borrowings

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

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(21) Notes and accounts payable

A. Notes and 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.

(22) Convertible bonds payable

- A. Convertible bonds issued by Sigurd Group contain conversion options (that is, the bondholders have the right to convert the bonds into Sigurd Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. Sigurd Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:
  - (a) The host contracts of bonds are initially recognized at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortized in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
  - (b) The embedded conversion options which meet the definition of an equity instrument are initially recognized in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
  - (c) Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
  - (d) When bondholders exercise conversion options, the liability component of the bonds (including bonds payable) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(23) Provisions

Provisions are recognized when Sigurd Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense.

In the process of providing labor services, Sigurd Group was unable to sell its products due to operational errors or poor product yield. Sigurd Group

has assessed the liability for compensation when the facts occur, and therefore has estimated the related expenses and the provision for the recognition of liabilities. The liability provision is measured based on historical data and all possible outcomes.

(24) Employee benefits

A. 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 recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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 with Sigurd Group in current period or prior periods. The liability recognized 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, Sigurd Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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

Employees' compensation and directors' and supervisors' remuneration are recognized 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.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair

value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized 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 recognized, 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, except where the timing of the reversal of the temporary difference is controlled by Sigurd Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized 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 recognized amounts and there is an intention to settle on a net basis or realize 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 realize the asset and settle the liability simultaneously.

(27) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Revenue recognition

A. Sales of goods

- (a) Sigurd Group manufactures and sells electronic components. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's 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 Sigurd Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from these sales is recognized based on the price specified in the contract, net of the estimated. The estimation is subject to an assessment at each reporting date. A refund liability is recognized 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 recognized 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.

B. Labor income

- (1) Sigurd Group provides the services of research and design, engineering and testing of integrated circuits as well as the related services such as wafer bumping and wafer assembly services. If (a) compliance with the enterprise enables the client to simultaneously obtain and

consume the benefits provided by the enterprise, (b) the performance of the enterprise creates or strengthens an asset and the performance process is controlled by the customer, or (c) the performance of the enterprise is not creating assets for other purposes, and if any of the conditions for the execution of the funds to date have any enforceable rights; the enterprise shall gradually shift the control over the goods or services over time, thus gradually fulfilling the performance obligations and recognizing the income over time. The testing and packaging services provided by Sigurd Group are in compliance with the (b) condition above, and shall be gradually recognized as income over time, and recognized as income via the performance obligation completion measurement procedure.

- (2) Since the time interval between the transfer of the promised goods or services to the customer and payment by the customer has not exceeded one year, Sigurd Group has not adjusted the transaction price to reflect the time value of money.

C. Compensatory revenue

Sigurd Group reserves its capacity to provide customers with wafer bumping and testing services of integrated circuits. During the term of the contract, the customer's purchase volume did not reach the minimum annual purchase amount agreed upon in the contract. For the part that Sigurd Group has retained the production capacity for but cannot reach the purchase amount, Sigurd Group may claim compensation for the difference in accordance with the terms stipulated in the contract. Revenue from the difference is fulfilled in the performance of the transfer of each of the performance obligations, and the income is recognized accordingly.

(30) Business combinations

- A. Sigurd Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed, and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, Sigurd Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the

acquiree recognized and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Sigurd Group's chief operating decision-maker, has been identified as Board of Directors who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

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

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

None.

(2) Critical accounting estimates and assumptions:

None.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	\$ 3,323	\$ 10,340
Checking accounts and demand deposits	2,257,967	1,577,523
Time deposits	2,359,649	2,750,742
	<u>\$ 4,620,939</u>	<u>\$ 4,338,605</u>

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

B. Sigurd Group has no cash and cash equivalents pledged to others.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 2,411	\$ 2,708
Beneficiary certificates	175,113	95,000
Corporate bonds	122,732	31,522
Convertible bonds	40,290	40,290
	<u>340,546</u>	<u>169,520</u>
Valuation adjustment	( 2,539)	( 10,539)
	<u>\$ 338,007</u>	<u>\$ 158,981</u>

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 481	(\$ 523)
Beneficiary certificates	8,191	( 7,632)
Corporate bonds	( 1,595)	345
Convertible bonds	943	( 79)
	<u>\$ 8,020</u>	<u>(\$ 7,889)</u>

B. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2) and (3).

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

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 90,000	\$ 60,000
Unlisted stocks	365,000	568,000
	<u>455,000</u>	<u>628,000</u>
Valuation adjustment	40,733	( 92,355)
	<u>\$ 495,733</u>	<u>\$ 535,645</u>

A. Sigurd Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$495,733 and \$535,645 as at December 31, 2019 and 2018, respectively.

B. Aiming to meet the demands for capital expenditures, Sigurd Group sold \$245,520 of unlisted stocks at fair value and resulted in cumulative gains of \$42,520 on disposal during the year ended December 31, 2019.

C. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Years ended December 31,	
	2019	2018
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 175,607	\$ 4,810
Cumulative gains reclassified to retained earnings due to derecognition	(\$ 42,520)	\$ -
Dividend income recognised in profit or loss		
Held at end of year	\$ 9,000	\$ -

D. As at December 31, 2019 and 2018, 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 financial assets at fair value through other comprehensive income held by Sigurd Group was \$495,733 and \$535,645, respectively.

E. Information relating to price risk and fair value of financial assets at fair value through other comprehensive income is provided in Notes 12(2) and (3).

(4) Financial assets at amortized cost

Items	December 31, 2019	December 31, 2018
Current items:		
Time deposits	\$ 4,299,888	\$ 2,266,170
Non-current items:		
Time deposits	\$ 20,700	\$ 19,700
Corporate bonds	30,000	-
	\$ 50,700	\$ 19,700

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	2019	2018
Interest income	\$ 43,262	\$ 20,477

B. As of December 31, 2019 and 2018, 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 financial assets at amortized cost held by Sigurd Group was \$4,350,588 and \$2,285,870 respectively.

C. Time deposits amounting to \$20,700, which is restricted for the purpose of customs guarantee are shown in 'financial assets measured at amortized cost - non-current'. Please refer to Note 8 for details.

D. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2).

(5) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	\$ 672	\$ 121
Accounts receivable	3,122,272	2,460,411
Accounts receivable - related parties	5,624	9,958
	<u>3,127,896</u>	<u>2,470,369</u>
Less: Loss allowance	(53,839)	(55,587)
	<u>\$ 3,074,057</u>	<u>\$ 2,414,782</u>

- A. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to \$2,712,801.
- B. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 2,635,159	\$ 672	\$ 1,900,991	\$ 121
Up to 30 days	292,603	-	241,220	-
31 to 90 days	143,614	-	215,768	-
91 to 180 days	2,607	-	54,903	-
Over 180 days	53,913	-	57,487	-
	<u>\$ 3,127,896</u>	<u>\$ 672</u>	<u>\$ 2,470,369</u>	<u>\$ 121</u>

The above ageing analysis was based on past due date.

- C. As at December 31, 2019 and 2018, 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 Sigurd Group's notes receivable was \$672 and \$121, respectively and the maximum exposure to credit risk in respect of Sigurd Group's accounts receivable was \$3,074,057 and \$2,414,782 respectively.
- D. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

	<u>December 31, 2019</u>		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 88,626	(\$ 8,541)	\$ 80,085
Supplies	61,208	(324)	60,884
Work in progress	7,483	(454)	7,029
Goods and finished goods	27,542	(5,552)	21,990
	<u>\$ 184,859</u>	<u>\$ (14,871)</u>	<u>\$ 169,988</u>

	December 31, 2018		
	Cost	Allowance for	
		valuation loss	Book value
Raw materials	\$ 91,315	(\$ 5,861)	\$ 85,454
Supplies	57,914	( 368)	57,546
Work in progress	2,053	( 454)	1,599
Merchandises and finished goods	147	-	147
	<u>\$ 151,429</u>	<u>(\$ 6,683)</u>	<u>\$ 144,746</u>

The cost of inventories recognized as expense for the years:

	Years ended December 31,	
	2019	2018
Cost of goods sold	\$ 6,995,169	\$ 6,889,193
Loss (gain) on ( recovery of ) market price decline	8,334 (	530)
Loss on disposal of inventories	6,771	-
Revenue from sale of scraps	( 2,971) (	4,264)
Net exchange differences	( 146)	-
	<u>\$ 7,007,157</u>	<u>\$ 6,884,399</u>

Sigurd Group recognized gain on reversal of market price decline for the year ended December 31, 2018 because some of the inventories previously written down were used or sold.

#### (7) Property, plant and equipment

	2019						
	Land	Buildings and structures	Machinery	Office equipment	Others	Construction in progress and equipment to be inspected	Total
At January 1							
Cost	\$ 844,353	\$ 2,555,433	\$ 19,721,049	\$ 264,984	\$ 2,138,435	\$ 653,941	\$ 26,178,195
Accumulated depreciation and impairment	-	( 1,107,282)	( 14,370,804)	( 192,239)	( 1,429,432)	-	( 17,099,757)
	<u>\$ 844,353</u>	<u>\$ 1,448,151</u>	<u>\$ 5,350,245</u>	<u>\$ 72,745</u>	<u>\$ 709,003</u>	<u>\$ 653,941</u>	<u>\$ 9,078,438</u>
2019							
At January 1	\$ 844,353	\$ 1,448,151	\$ 5,350,245	\$ 72,745	\$ 709,003	\$ 653,941	\$ 9,078,438
Additions	-	8,014	2,804,770	54,408	226,739	776,100	3,870,031
Disposals	-	-	( 19,659)	( 1)	( 1,451)	-	( 21,111)
Acquired from business combinations	-	-	11,239	5	31,205	2,575	45,024
Depreciation	-	( 77,805)	( 1,998,617)	( 47,969)	( 167,324)	-	( 2,291,715)
Reclassifications	-	35,100	554,363	412	28,187	( 619,142)	( 1,080)
Net exchange differences	-	( 1,000)	( 21,758)	( 132)	( 4,431)	( 8,536)	( 35,857)
At December 31	<u>\$ 844,353</u>	<u>\$ 1,412,460</u>	<u>\$ 6,680,583</u>	<u>\$ 79,468</u>	<u>\$ 821,928</u>	<u>\$ 804,938</u>	<u>\$ 10,643,730</u>
At December 31, 2019							
Cost	\$ 844,353	\$ 2,594,643	\$ 21,215,491	\$ 257,251	\$ 2,234,126	\$ 804,938	\$ 27,950,802
Accumulated depreciation and impairment	-	( 1,182,183)	( 14,534,908)	( 177,783)	( 1,412,198)	-	( 17,307,072)
	<u>\$ 844,353</u>	<u>\$ 1,412,460</u>	<u>\$ 6,680,583</u>	<u>\$ 79,468</u>	<u>\$ 821,928</u>	<u>\$ 804,938</u>	<u>\$ 10,643,730</u>

	Land	Buildings and structures	Machinery	Office equipment	Others	Construction in progress and equipment to be inspected	Total
At January 1							
Cost	\$ 844,353	\$ 2,239,092	\$ 14,131,595	\$ 187,751	\$ 1,629,477	\$ 268,734	\$ 19,301,002
Accumulated depreciation and impairment	-	( 730,072)	( 9,185,756)	( 101,533)	( 988,679)	-	( 11,006,040)
	<u>\$ 844,353</u>	<u>\$ 1,509,020</u>	<u>\$ 4,945,839</u>	<u>\$ 86,218</u>	<u>\$ 640,798</u>	<u>\$ 268,734</u>	<u>\$ 8,294,962</u>
<u>2018</u>							
At January 1	\$ 844,353	\$ 1,509,020	\$ 4,945,839	\$ 86,218	\$ 640,798	\$ 268,734	\$ 8,294,962
Additions	-	17,378	2,172,088	36,528	140,256	603,057	2,969,307
Disposals	-	-	( 28,749)	( 26)	( 202)	-	( 28,977)
Depreciation	-	( 77,690)	( 1,913,037)	( 50,381)	( 154,738)	-	( 2,195,846)
Reclassifications	-	-	137,112	-	81,000	( 218,112)	-
Net exchange differences:	-	( 557)	36,992	406	1,889	262	38,992
At December 31	<u>\$ 844,353</u>	<u>\$ 1,448,151</u>	<u>\$ 5,350,245</u>	<u>\$ 72,745</u>	<u>\$ 709,003</u>	<u>\$ 653,941</u>	<u>\$ 9,078,438</u>
At December 31, 2018							
Cost	\$ 844,353	\$ 2,555,433	\$ 19,721,049	\$ 264,984	\$ 2,138,435	\$ 653,941	\$ 26,178,195
Accumulated depreciation and impairment	-	( 1,107,282)	( 14,370,804)	( 192,239)	( 1,429,432)	-	( 17,099,757)
	<u>\$ 844,353</u>	<u>\$ 1,448,151</u>	<u>\$ 5,350,245</u>	<u>\$ 72,745</u>	<u>\$ 709,003</u>	<u>\$ 653,941</u>	<u>\$ 9,078,438</u>

A. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Amount capitalized	\$ 15,237	\$ 12,486
Range of the interest rates for capitalization	1.06%~1.39%	1.37~1.57%

B. The significant components of buildings and structures include buildings, laboratory and facility equipment, which are depreciated over 50 and 60 years, respectively.

C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

D. As of December 31, 2019 and 2018, the area of the land amounting to 12,061 square meters held by Sigurd Group was a farming and grazing land held in the name of others. Sigurd Group has obtained the mortgage set by the landowner to secure Sigurd Group's right on the untransferred part of the land.

#### (8) Leasing arrangements – lessee

##### Effective 2019

A. Sigurd Group leases various assets including buildings, machinery and transportation equipment. Rental contracts are typically made for periods of 1 to 12 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 used as security for borrowing purposes.

B. The lease terms of machinery, equipment and transportation equipment leased by the Company

are no more than 12 months, and low-value assets are comprised of office equipment.

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

	Year ended	
	<u>December 31, 2019</u>	<u>December 31, 2019</u>
	Carrying amount	Depreciation charge
Buildings	\$ 200,746	\$ 18,563
Machinery	180,611	129,070
Transportation equipment (Business vehicles)	14,572	6,500
	<u>\$ 395,929</u>	<u>\$ 154,133</u>

D. For the year ended December 31, 2019, the additions to right-of-use assets was \$380,832.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended
	<u>December 31, 2019</u>
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 5,869
Expense on short-term lease contracts	137,259
Expense on leases of low-value assets	8,373

F. For the year ended December 31, 2019, Sigurd Group's total cash outflow for leases was \$293,881.

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	627,062	1.28%~3.01%	None
Secured borrowings	<u>13,650</u>	2.75%	Current deposit (shown as "other current assets")
	<u>\$ 640,712</u>		
<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	55,287	3.57%	None
Secured borrowings	<u>34,204</u>	3.57%~3.65%	Land、Building and Machinery Equipment
	<u>\$ 89,491</u>		

(10) Other payables

	December 31, 2019	December 31, 2018
Accrued salaries and bonuses	\$ 486,588	\$ 470,230
Accrued employees' compensation and directors' remuneration	283,725	\$ 230,427
Payable for equipment and construction	820,160	233,659
Others	537,559	378,861
	<u>\$ 2,128,032</u>	<u>\$ 1,313,177</u>

(11) Bonds payable

	December 31, 2019	December 31, 2018
Bonds payable	\$ 2,400,000	\$ 1,200,000
Less: Bonds converted	( 1,180,000)	( 848,600)
Less: Discount on bonds payable	( 37,219)	( 5,706)
	1,182,781	345,694
Less: Current portion (shown as "other current liabilities")	( 19,935)	-
	<u>\$ 1,162,846</u>	<u>\$ 345,694</u>

- A. To raise the capital for acquiring machinery equipment, the Board of Directors of the Company resolved to issue the 2nd unsecured convertible bonds on March 8, 2017, which had been approved by the FSC. The aforementioned unsecured convertible bonds were priced on April 14, 2017 and were issued on April 24, 2017. The major terms of issuance are as follows:
- (a) Issue amount: Issued at 100.5% of par value; \$100. The units for this offering were 12,000, which in aggressive offering amount was \$1,206,000.
  - (b) Issuance period: Three years; issued on April 24, 2017 and expires on April 24, 2020.
  - (c) Bonds rate and principal payment method: The bonds rate is 0% per annum. Except for converting the corporate bond into the Company's ordinary share by the holder or redemption and written off by the Company through a securities firm, the Company shall repay the nominal amount of the bonds via cash in one lump sum at the time of maturity.
  - (d) Conversion period: Except for exercising the right to transfer, provided by the law, or due to a transfer suspension period stipulated in a contract (if any); the corporate bonds held by the Company shall be converted into ordinary shares of the Company from three months after the bond issuance by the Company (July 25, 2017) until the maturity date (April 24, 2020).
  - (e) Conversion price and its adjustment: The conversion price at the time of issue is set at NT\$28.70 per share. However, in case of ex-dividends or ex-rights after the issuance of the Company's bonds, the closing price used to calculate the conversion price shall first be calculated as the price after ex-rights or ex-dividends. The conversion price is determined after the actual issue date. In case of ex-dividend or ex-rights, it should be adjusted according to the conversion price adjustment formula. Because the Company has issued the cash dividends according to the provisions of the issuance and conversion method, the conversion price should be adjusted. The conversion price was adjusted from \$28.7 to \$27

- starting August 13, 2017; and the conversion price was adjusted from \$27 to \$25.8 on July 15, 2018; and the conversion price was adjusted from \$25.8 to \$24 on July 21, 2019; and the conversion price was adjusted from \$24 to \$23.7 on November 15, 2019.
- (f) The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
  - (g) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$47,428 were separated from the liability component and were recognized in ‘capital surplus—share options’ in accordance with IAS 32.
- C. As of December 31, 2019, the bonds totaling \$1,180,000 (face value) had been converted into 45,196,858 shares of common stock.
- D. To raise the capital for acquiring machinery equipment, the Board of Directors of the Company resolved to issue the 3rd unsecured convertible bonds on August 7, 2019, which had been approved by the FSC. The aforementioned unsecured convertible bonds were priced on October 3, 2019 and were issued on October 15, 2019. The major terms of issuance are as follows:
- (a) Issue amount: Issued at 100.5% of par value; \$100. The units for this offering were 12,000, which in aggressive offering amount was \$1,206,000.
  - (b) Issue period: Three years, issued on October 15, 2019 and expires on October 15, 2022.
  - (c) Bonds rate and principal payment method: The bonds rate is 0% per annum, except the bondholders have the right to ask for conversion of the bonds into common shares or redeemed, will be redeemed in cash at face value at the maturity date.
  - (d) Conversion period: Except for exercising the right to transfer, provided by the law, or due to a transfer suspension period stipulated in a contract (if any); the corporate bonds held by the Company shall be converted into ordinary shares of the Company from three months after the bond issuance by the Company (January 16, 2020) until the maturity date (January 15, 2022).
  - (e) Conversion price and its adjustment: The conversion price at the time of issue is set at NT\$37 per share. However, in case of ex-dividends or ex-rights after the issuance of the Company’s bonds, the closing price used to calculate the conversion price shall first be calculated as the price after ex-rights or ex-dividends. The conversion price is determined after the actual issue date. In case of ex-dividend or ex-rights, it should be adjusted according to the conversion price adjustment formula. Because the Company has issued the cash dividends according to the provisions of the issuance and conversion method, the conversion price should be adjusted. The conversion price was adjusted from \$37 to \$36.6 starting November 15, 2019.

- (f) The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- (g) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- E. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$43,697 were separated from the liability component and were recognized in ‘capital surplus—share options’ in accordance with IAS 32.

(12) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Long-term bank borrowings				
Secured borrowings	Borrowing period is from July 18, 2019 to September 26, 2024; principal and interest are repayable by contracts	1.20%~2.85%	Property, plant and equipment	\$ 847,937
Secured borrowings	Borrowing period is from February 13, 2017 to June 5, 2022; principal and interest are repayable by contracts	2.840%	Demand deposits	8,055
Credit borrowings	Borrowing period is from February 13, 2017 to September 15, 2023; principal and interest are repayable by contracts	1.20%~2.84%	None	
				<u>4,968,184</u>
				5,824,176
Less: Current portion				<u>(2,983,789)</u>
				<u>\$ 2,840,387</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2018</u>
Long-term bank borrowings				
Secured borrowings	Borrowing period is from April 27, 2016 to September 25, 2020; principal and interest are repayable by contracts	1.312%~1.312%	Plant	\$ 500,000
Secured borrowings	Borrowing period is from April 27, 2016 to April 27, 2021; principal and interest are repayable by contracts	1.797%	Property, plant and equipment	450,000
Credit borrowings	Borrowing period is from August 30, 2016 to September 15, 2023; principal and interest are repayable by contracts	1.240%~1.441%	None	4,057,500
				<u>5,007,500</u>
Less: Administration fee of syndicated loans				( 6,731)
Less: Current portion				<u>( 2,050,000)</u>
				<u>\$ 2,950,769</u>

In order to complete the STATS ChipPAC Ltd.'s group restructuring plan and subsequently complete the acquisition of 100% equity of Winstek Semiconductor Technology Co., Ltd.. Winstek Semiconductor Co., Ltd. and its subsidiary, Winstek Semiconductor Technology Co., Ltd. have signed a credit contract with DBS (Singapore) Bank on July 23, 2015 amounting to US\$127 million, the duration of which was three years and may be extended for another two years with application and additional payment of extension fee of 0.2% of the unamortized balance. Winstek Semiconductor Co., Ltd. provided guarantee and reverse commitment for Winstek Semiconductor Technology Co., Ltd., when Winstek Semiconductor Technology Co., Ltd. applied US\$127 million credit extension from DBS Bank, and when Winstek Semiconductor Technology Co., Ltd. applied to open the guaranteed letter of credit of US\$127 million from DBS Bank (Taiwan) for the guarantee of such credit extension to DBS Bank.

Corresponding with the above credit guarantee case, Winstek Semiconductor

Co., Ltd. shall adjust the amount of guarantee and endorsement provided to Winstek Semiconductor Technology Co., Ltd. in accordance with the net value of financial statements audited or reviewed by CPA on a quarterly basis.

Provisions of the loan agreement signed on July 23, 2015:

- A. During the loan period, Winstek Semiconductor Co., Ltd. (joint guarantor) shall maintain the specific financial ratios such as the debt ratio and the interest coverage ratio, etc. in the annual Consolidated Financial Statements audited and verified by the CPA and the quarterly consolidated financial statements reviewed by the CPA. The consolidated financial statements 2017 of Winstek Semiconductor Co., Ltd. and its subsidiaries met the financial ratio limits.
- B. After the closing date of the acquisition of Winstek Semiconductor Technology Co., Ltd. by Winstek Semiconductor Co., Ltd., DBS Bank (Taiwan) shall have the right to cancel the loan and request Winstek Semiconductor Technology Co., Ltd. to deposit the amount equal to the outstanding guarantee amount into the specified account immediately, if the following control rights of the Winstek Semiconductor Co., Ltd. and its subsidiaries have changed.
  - (a) Bloomeria Limited does not directly or indirectly hold over 45% equity of Winstek Semiconductorw Co., Ltd..
  - (b) Singapore Technologies Semiconductor Pte Ltd. does not directly or indirectly hold more than 50% equity of Bloomeria Limited.
  - (c) Winstek Semiconductor Technology Co., Ltd. is not a 100% owned subsidiary of Winstek Semiconductor Co., Ltd. and its subsidiaries.
- C. Without the consent from DBS (Singapore) Bank, Winstek Semiconductor Co., Ltd. and its subsidiaries shall not arbitrarily merge, divide, or reorganize the organization unless the merger subject belongs to the same group.
- D. According to the terms of the contract, Winstek Semiconductor Co., Ltd. and its subsidiaries may not issue dividends to shareholders from the date of the loan until the full repayment, unless:
  - (a) At the time of dividend distribution, Winstek Semiconductor Co., Ltd. and its subsidiaries did not default.
  - (b) After the distribution of dividends, the cash and cash equivalents of Winstek Semiconductor Co., Ltd. and its subsidiaries shall not be less than US\$30 million or its equivalent in other currencies.
- E. Unless the loan has been fully repaid, Winstek Semiconductor Co., Ltd. and its subsidiaries may not amend the terms that have a material impact on the technical service contract between Winstek Semiconductor Co., Ltd. and its subsidiaries as well as STATS ChipPAC Ltd.

In October 2017, Sigurd Corporation has obtained the control rights to Bloomeria Limited, the parent company of Winstek Semiconductor Co., Ltd. and its subsidiaries. This equity transaction has contravened with the terms of bank loan contract regarding Singapore Technologies Semiconductor Pte Ltd. not holding over 50% of Bloomeria Limited's equity. According to the provisions, the bank is entitled to cancel the loan and ask Winstek Semiconductor Technology Co., Ltd. to immediately deposit the amount equivalent to the guaranteed amount in circulation to a specific account. In response to the aforesaid restrictions, Winstek Semiconductor Technology Co., Ltd. has repaid the full loan balance (US\$33,691 thousand) in advance on January 23, 2018 and paid the additional early repayment fee of \$4,506 according to the terms of the contract. Moreover, based on the aforesaid loan repayment, the endorsement/guarantee provided by Winstek Semiconductor Co., Ltd. to Winstek Semiconductor Technology Co., Ltd. was discharged on January 26, 2018.

#### Secured borrowings

According to the credit contract signed on April 16, 2018; the following financial ratios and agreements should be maintained before the full settlement of the debts during the duration of the credit:

- A. Net financial ratio: the total net financial liabilities divided by the profit before tax of Consolidated Financial Statements plus interest expense plus depreciation and amortization expenses shall be less than three times.
- B. Interest coverage ratio: the net profit before tax plus interest expenses plus depreciation expenses and amortization expenses divided by interest expenses of Consolidated Financial Statements shall be more than four times.

The secured loans aforementioned were all settled before the end of 2018.

#### Credit borrowings

The unsecured borrowing facility contract requires Sigurd Group to meet specified levels for certain financial ratios as per its financial statements. As of December 31, 2019 and 2018, Sigurd Group did not meet the violation ratio as required by the contract.

### (13) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, 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 Labor Standards Act. 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 and its domestic subsidiaries 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 and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	(\$ 338,719)	(\$ 316,978)
Fair value of plan assets	<u>146,967</u>	<u>135,196</u>
Net defined benefit liability	<u>(\$ 191,752)</u>	<u>(\$ 181,782)</u>

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

	<u>2019</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
At January 1	(\$ 316,978)	\$ 135,195	(\$ 181,783)
Current service cost	( 1,889)	-	( 1,889)
Interest (expense) income	( 4,392)	<u>1,904</u>	( 2,488)
	<u>( 323,259)</u>	<u>137,099</u>	<u>( 186,160)</u>
Remeasurements:	-	-	-
Return on plan assets (excluding amounts included in interest income or expense)	-	4,190	4,190
Change in demographic assumptions	( 3,034)	-	( 3,034)
Change in financial assumptions	( 8,255)	-	( 8,255)
Experience adjustments	<u>( 6,109)</u>	<u>-</u>	<u>( 6,109)</u>
	<u>( 17,398)</u>	<u>4,190</u>	<u>( 13,208)</u>
Pension fund contribution	-	7,616	7,616
Paid pension	<u>1,938</u>	<u>( 1,938)</u>	<u>-</u>
At December 31	<u>(\$ 338,719)</u>	<u>\$ 146,967</u>	<u>(\$ 191,752)</u>

	2018		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 299,268)	\$ 127,967	(\$ 171,301)
Current service cost	( 2,091)	-	( 2,091)
Interest (expense) income	( 4,526)	1,975	( 2,551)
	<u>( 305,885)</u>	<u>129,942</u>	<u>( 175,943)</u>
Remeasurements:	-	3,311	3,311
Return on plan assets (excluding amounts included in interest income or expense)	-	-	-
Change in demographic assumptions	( 3,492)	-	( 3,492)
Change in financial assumptions	( 5,288)	-	( 5,288)
Experience adjustments	( 7,338)	-	( 7,338)
	<u>( 16,118)</u>	<u>3,311</u>	<u>( 12,807)</u>
Pension fund contribution	-	6,968	6,968
Paid pension	5,025	( 5,025)	-
At December 31	<u>(\$ 316,978)</u>	<u>\$ 135,196</u>	<u>(\$ 181,782)</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and its domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization 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 securitization products, etc.). With regard to the utilization 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 authorized by the Regulator. The Company and its domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and its domestic subsidiaries are 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, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	Year ended December 31, 2019	Year ended December 31, 2018
Discount rate	0.83%~1.30%	1.31%~1.40%
Future salary increase rate	3.00%	3.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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 0.25%	Decrease 0.25%	Increase 1%	Decrease 1%
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	( 9,754)	10,299	41,730	( 37,065)
	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1%	Decrease 1%
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	( 11,770)	6,598	41,544	( 36,609)

(f) Expected contributions to the defined benefit pension plans of Sigurd Group for the year ending December 31, 2020 amount to \$6,779.

- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland China subsidiaries, Sigurd Micro Electronics (Wuxi) Co., Ltd. and SIRIZE Technology (Suzhou) Corp., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2019 and 2018, was both 13% to 20%. Other than the monthly contributions, Sigurd Group has no further obligations.
- (c) The pension costs under defined contribution pension plans of Sigurd Group for the years ended December 31, 2019 and 2018 were \$80,498 and \$76,092, respectively.

C. Long-term employee benefits

Winstek Semiconductor Co., Ltd. and its subsidiaries provide other long-term employee benefit plans (pensions) to employees. Actuarial techniques are used to measure other long-term employee benefit obligations. According to the actuarial report, the other long-term employee benefit costs and expenses listed under the other long-term employee benefit plans for 2019 and 2018 are \$0 and \$1,041, respectively. Other long-term employee benefit liabilities as of December 31, 2019 and 2018 are \$3,335 and \$3,335, respectively.

(14) Share capital

A. As of December 31, 2019, the Company's authorized capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$4,206,834 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2019	2018
At January 1	\$ 389,955,784	\$ 358,616,172
Employee stock options exercised	13,727,617	31,339,612
Issurance of share capital	17,000,000	-
At December 31	<u>\$ 420,683,401</u>	<u>\$ 389,955,784</u>

B. On August 7, 2019, the Board of Directors resolved to increase cash capital by issuing 17,000 thousand ordinary shares amounting to \$170,000 with a value of \$10 (in dollars) per share with the effective date filed with the regulator on November 15, 2019.

(15) 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 capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2019			
	Share premium	Consolidation premium	Share option	Total
At January 1	\$ 553,255	\$ 244,129	\$ 13,889	\$ 811,273
Issuance of convertible bonds	-	-	43,697	43,697
Conversion of convertible bonds	204,877	-	( 13,099)	191,778
Cash capital increase	280,500	-	-	280,500
Capital surplus used to issue cash to shareholders	( 403,576)	-	-	( 403,576)
At December 31	<u>\$ 635,056</u>	<u>\$ 244,129</u>	<u>\$ 44,487</u>	<u>\$ 923,672</u>

	2018				
	Share premium	Treasury share transactions	Consolidation premium	Share option	Total
At January 1	\$ 9,919	\$ 897	\$ 244,129	\$ 49,530	\$ 304,475
Conversion of convertible bonds	545,309	-	-	( 35,641)	509,668
Disposal of treasury shares	( 1,973)	( 897)	-	-	( 2,870)
At December 31	<u>\$ 553,255</u>	<u>\$ -</u>	<u>\$ 244,129</u>	<u>\$ 13,889</u>	<u>\$ 811,273</u>

#### (16) Retained earnings

- A. 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. Legal reserve is not necessary once the reserve is equal to total capital. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital. The distribution of the Company's distributable earnings is made via cash dividends or stock dividends. Cash dividends are given priority in terms of distributable earnings and is also distributed via stock dividends. The cash dividend distribution ratio shall not be less than 10%. The Company can propose an earnings distribution or a deficits offsetting proposal after every half of the fiscal year in accordance with Company Act. The earnings distribution in cash shall be resolved by the Board of Directors; when issuing new shares, it shall be resolved by the shareholders' meeting in accordance with regulations.

- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriations for 2018 and 2017 had been resolved at shareholders' meeting on June 13, 2019 and June 7, 2018, respectively. Details are as follows:

	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 115,531		\$ 98,936	
Special reserve	3,486		32,175	
Cash dividends	403,576	\$ 1.03	685,276	\$ 1.82
Total	<u>\$ 522,593</u>		<u>\$ 816,387</u>	

- E. On June 13, 2019, the stockholders resolved the distribution of capital surplus amounting to \$403,576 in cash (\$1.03 (in dollars) per share).
- F. On March 10, 2020, the Board of Directors resolved the appropriation for 2019 to distribute cash dividends amounting to \$463,680 in cash (\$1.1 (in dollars) per share).
- G. On March 10, 2020, the Board of Directors proposed the distribution of cash capital – share premium amounting to \$463,680 in cash (\$1.1 (in dollars) per share) as the shareholders' shareholding ratio. This distribution of capital surplus had not been resolved by the shareholders' meeting.
- H. Information on appropriation resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of Taiwan stock Exchange.

(17) Other equity items

	2019		
	Unrealized gains (losses) on valuation with financial assets at fair value through other comprehensive income	Currency translation	Total
At January 1	(\$ 92,355)	\$ 44,081	(\$ 48,274)
Revaluation			
– Parent company	174,138	-	174,138
– Subsidiaries	1,469	-	1,469
Revaluation transferred to retained earnings			
– Parent company	( 39,280)	-	( 39,280)
– Subsidiaries	( 3,240)	-	( 3,240)
Currency translation			
– Subsidiaries	-	( 50,780)	( 50,780)
At December 31	<u>\$ 40,732</u>	<u>(\$ 6,699)</u>	<u>\$ 34,033</u>

	2018			
	Unrealised gains (losses) on valuation with financial assets at fair value through other comprehensive income	Unrealised gains (losses) on valuation with available-for-sale financial assets	Currency translation	Total
At January 1	\$ -	(\$ 34,722)	(\$ 10,066)	(\$ 44,788)
Effect of retrospective application and retrospective restatement				
– Parent company	( 95,362)	34,722	-	( 60,640)
– Subsidiaries	( 1,803)	-	-	( 1,803)
Revaluation				
– Parent company	5,597	-	-	5,597
– Subsidiaries	( 787)	-	-	( 787)
Currency translation				
– Subsidiaries	-	-	54,147	54,147
At December 31	<u>(\$ 92,355)</u>	<u>\$ -</u>	<u>\$ 44,081</u>	<u>(\$ 48,274)</u>

(18) Operating revenue

	Years ended December 31,	
	2019	2018
Revenue from contracts with customers	<u>\$ 10,046,619</u>	<u>\$ 9,541,489</u>

A. Disaggregation of Sigurd Group's revenue from contracts with customers:

2019	Sales revenue	Bumping and testing service revenue	Others service revenue	Total
		revenue	revenue	
Revenue from external customer contracts	<u>\$ 27,001</u>	<u>\$ 9,125,057</u>	<u>\$ 894,561</u>	<u>\$ 10,046,619</u>
Timing of revenue recognition				
Over time	<u>\$ -</u>	<u>\$ 9,125,057</u>	<u>\$ 894,561</u>	<u>\$ 10,019,618</u>
At a point in time	<u>\$ 27,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,001</u>
2018	Bumping and testing service revenue	Others service revenue	Total	
Revenue from external customer contracts	<u>\$ 9,541,478</u>	<u>\$ 11</u>	<u>\$</u>	<u>\$ 9,541,489</u>
Timing of revenue recognition				
Over time	<u>\$ 9,541,478</u>	<u>\$ 11</u>	<u>\$</u>	<u>\$ 9,541,489</u>

B. Contract assets and liabilities

Sigurd Group has recognized the following revenue-related contract assets and liabilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract assets:			
Contract assets –			
Bumping and testing	\$ <u>120,675</u>	\$ <u>93,882</u>	\$ <u>68,433</u>
Contract liabilities:			
Contract liabilities –			
Bumping and testing	\$ <u>10,202</u>	\$ <u>776</u>	\$ <u>869</u>

C. Revenue recognized that was included in the contract liability balance at the beginning of the year

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Revenue recognized that was included in the contract liability balance at the beginning of the year		
Revenue from external customer contracts	\$ <u>126</u>	\$ <u>239</u>

(19) Other income

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Interest income :		
Interest income from bank deposits	\$ 34,115	\$ 27,024
Interest income from financial assets measured at amortized cost	43,262	20,477
Other interest income	61	14
Rent income	3,624	4,976
Dividend income	9,119	157
Other income, others	33,474	23,225
	<u>\$ 123,655</u>	<u>\$ 75,873</u>

(20) Other gains and losses

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Gains on disposals of property, plant and equipment	\$ 37,048	\$ 36,259
Foreign exchange (losses) gains	( 66,856)	44,735
Gains (losses) on financial assets at fair value through profit or loss	8,020	( 7,889)
Other gains and losses	( 22,316)	( 10,383)
	<u>(\$ 44,104)</u>	<u>\$ 62,722</u>

(21) Finance costs

	Years ended December 31,	
	2019	2018
Bank borrowings	\$ 83,096	\$ 77,315
Bonds payable	6,673	7,229
Lease liabilities	5,869	-
Others	150	-
Less: Capitalization of assets	(15,237)	(12,486)
	<u>\$ 80,551</u>	<u>\$ 72,058</u>

(22) Expenses by nature

	Years ended December 31,	
	2019	2018
Employee benefit expense	2,690,687	2,562,765
Depreciation charges on property, plant and equipment	2,291,715	2,195,846
Depreciation charges on right-of-use assets	154,133	-
Amortization charges on intangible assets	72,970	65,582
	<u>\$ 5,209,505</u>	<u>\$ 4,824,193</u>

(23) Employee benefit expense

	Years ended December 31,	
	2019	2018
Wages and salaries	\$ 2,274,819	\$ 2,166,394
Labour and health insurance fees	197,191	185,747
Pension costs	84,875	80,734
Other personnel expenses	133,802	129,890
	<u>\$ 2,690,687</u>	<u>\$ 2,562,765</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 8%~12% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$153,500 and \$135,000, respectively; while directors' and supervisors' remuneration was accrued at \$25,000 and \$23,500, respectively. The aforementioned amounts were recognized in salary expenses.
- The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 8.75% and 1.42%, respectively, of distributable profit of current year for the year ended December 31, 2019.
- C. Employees' compensation and directors' and supervisors' remuneration of 2018 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2018 financial statements.
- D. Information about employees' compensation and directors' and supervisors' 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.

(24) Income tax

A. Income tax expense

Components of income tax expense:

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ 471,315	\$ 376,750
Tax on undistributed surplus earnings	60,883	57,671
Prior year income tax overestimation	( 6,827)	( 6,031)
Total current tax	<u>525,371</u>	<u>428,390</u>
Deferred tax:		
Origination and reversal of temporary differences	( 17,928)	15,722
Impact of change in tax rate	-	370
Total deferred tax	<u>( 17,928)</u>	<u>16,092</u>
Income tax expense	<u>\$ 507,443</u>	<u>\$ 444,482</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	\$ 512,194	\$ 428,496
Tax exempt income by tax regulation	( 70,454)	( 43,843)
Tax on undistributed earnings	60,883	57,671
Prior year income tax overestimation	( 6,827)	( 6,031)
Change in assessment of realization of deferred tax assets	8,056	7,694
Effect from changes in tax regulation	-	1,641
Effect of currency exchange	3,591	( 1,146)
Income tax expense	<u>\$ 507,443</u>	<u>\$ 444,482</u>

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

	2019				December 31
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	
Temporary differences:					
—Deferred tax assets:					
Unrealized allowance for inventory obsolescence	1,330	587	-	-	1,917
Long-term investment	6,436	-	-	-	6,436
Depreciation charges	10,412	595	-	-	11,007
Unrealized exchange loss	2,801	8,364	-	-	11,165
Others	3,683	8,026	-	-	11,709
	<u>24,662</u>	<u>17,572</u>	<u>-</u>	<u>-</u>	<u>42,234</u>
Temporary differences:					
—Deferred tax liabilities:					
Defined benefit liability	( 396)	( 551)	-	-	( 947)
Unrealized exchange gain	( 5,304)	1,706	-	-	( 3,598)
Bargain purchase gain	( 37,146)	-	-	-	( 37,146)
Others	-	( 799)	-	-	( 799)
	<u>( 42,846)</u>	<u>356</u>	<u>-</u>	<u>-</u>	<u>( 42,490)</u>
	<u>(\$ 18,184)</u>	<u>\$ 17,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 256)</u>

	2018				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					
—Deferred tax assets:					
Unrealized allowance for inventory obsolescence	\$ 1,060	\$ 270	\$ -	\$ -	\$ 1,330
Long-term investment	12,018	( 5,582)	-	-	6,436
Depreciation charges	8,344	2,068	-	-	10,412
Unrealized exchange loss	4,712	( 1,911)	-	-	2,801
Others	2,201	1,482	-	-	3,683
	<u>28,335</u>	<u>( 3,673)</u>	<u>-</u>	<u>-</u>	<u>24,662</u>
Temporary differences:					
—Deferred tax liabilities:					
Defined benefit liability	( 214)	( 182)	-	-	( 396)
Unrealized exchange gain	-	( 5,304)	-	-	( 5,304)
Bargain purchase gain	(30,213)	(6,933)	-	-	( 37,146)
	<u>( 30,427)</u>	<u>( 12,419)</u>	<u>-</u>	<u>-</u>	<u>( 42,846)</u>
	<u>(\$ 2,092)</u>	<u>(\$ 16,092)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 18,184)</u>

D. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2019	December 31, 2018
Deductible temporary differences	<u>\$ 40,280</u>	<u>\$ 38,470</u>

E. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. Sigurd Group has assessed the impact of the change in income tax rate.

(25) Earnings per share

	<u>Year ended December 31, 2019</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 ordinary shareholders of the parent	<u>\$ 1,294,520</u>	<u>396,649</u>	<u>\$ 3.26</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	1,294,520	396,649	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	4,951	
Convertible bonds	<u>5,338</u>	<u>10,245</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,299,858</u>	<u>411,845</u>	<u>\$ 3.16</u>

	<u>Year ended December 31, 2018</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 ordinary shareholders of the parent	<u>\$ 1,155,307</u>	<u>383,757</u>	<u>\$ 3.01</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	1,155,307	383,757	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	5,811	
Convertible bonds	<u>7,229</u>	<u>13,620</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,162,536</u>	<u>403,188</u>	<u>\$ 2.88</u>

(26) Business combinations

- A. On September 6, 2019, Sigurd Microelectronics Corp. completed the acquisition of 58.77% equity interest of Flatek, Inc. for a cash consideration of \$100,000 and obtained control over Flatek, Inc and its subsidiaries (“Flatek Group”). Sigurd Group is expecting to enhance its marketplace in assembly and testing services after acquiring the investee, which offers IC programming and testing services. The allocation of acquisition price on Flatek Group will be completed within a year.
- B. The following table summarizes the consideration paid for Flatek Group. and the fair values of the assets acquired, and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

	<u>September 6, 2019</u>
Purchase consideration — Cash paid	\$ 100,000
Fair value of the non-controlling interest	69,712
	<u>169,712</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	109,807
Notes and accounts receivable	65,402
Inventories	23,895
Prepaid expense	19,198
Other current assets	8,974
Property, plant and equipment	45,024
Intangible assets	25,466
Other non-current assets	5,518
Short - term borrowings	( 29,347)
Notes and accounts payable	( 39,553)
Other current liabilities	( 21,816)
Long term borrowings	( 25,525)
Other non-current liabilities	( 17,969)
Total identifiable net assets	<u>169,074</u>
Goodwill	<u>\$ 638</u>

- C. The fair value of the identifiable assets acquired is provisional pending receipt of the final valuations report.
- D. The operating revenue and gain (loss) before income tax included in the consolidated statement of comprehensive income since September 6, 2019 contributed by Flatek Group. was \$72,009 and (\$41,016), respectively. Had Flatek Group been consolidated from January 1, 2019, the consolidated statement of comprehensive income would show an increase in operating revenue of \$125,072 and a decrease in profit before income tax of \$38,677.

(27) Operating leases

Prior to 2019

Sigurd Group leases machinery under operating lease agreements. The lease terms are between 2018 and 2020, and all these lease agreements are renewable at the end of the lease period. Sigurd Group recognized rental expenses of \$294,997 in profit or loss for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>
Not later than one year	\$ 167,533
Later than one year but not later than five years	<u>57,832</u>
	<u>\$ 225,365</u>

(28) Supplemental cash flow information

A. Investing activities with partial cash payments

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Purchase of property, plant and equipment	\$ 3,870,031	\$ 2,969,307
Add: Opening balance of payable on equipment	\$ 233,659	\$ 154,260
Add: Ending balance of prepaid on equipment	6,043	700
Less: Opening balance of prepaid on equipment	( 700)	( 22,147)
Less: Ending balance of payable on equipment	( 820,160)	( 233,659)
Cash paid during the year	<u>\$ 3,288,873</u>	<u>\$ 2,868,461</u>

B. Financing activities with no cash flow effects

	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Convertible bonds being converted to capital stocks	<u>\$ 329,054</u>	<u>\$ 823,064</u>

(29) Changes in liabilities from financing activities

	2019					
	Short-term borrowings	Long-term borrowings	Bonds payable(include current portion)	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ 89,491	\$ 5,000,769	\$ 345,694	\$ 170,649	\$ 8,708	\$ 5,615,311
Changes in cash flow from financing activities	521,874	791,152	1,203,165	( 150,697)	( 335)	2,365,159
Interest paid	-	-	-	( 5,869)	-	( 5,869)
Changes in other non-cash items:						
Interest expense	-	-	-	5,869	-	5,869
Impact of changes in foreign exchange rate	-	( 72)	-	( 3,725)	( 9)	( 3,806)
Convertible right exercise	-	-	( 329,054)	-	-	( 329,054)
Discount on bonds payable	-	-	6,673	-	-	6,673
Administration fee of syndicated loans amortization	-	6,802	-	-	-	6,802
Increase in lease liabilities	-	-	-	379,638	-	379,638
Changes in other non-cash items	<u>29,347</u>	<u>25,525</u>	<u>( 43,697)</u>	<u>-</u>	<u>-</u>	<u>11,175</u>
At December 31	<u>\$ 640,712</u>	<u>\$ 5,824,176</u>	<u>\$ 1,182,781</u>	<u>\$ 395,865</u>	<u>\$ 8,364</u>	<u>\$ 8,051,898</u>

	2018				
	Short-term borrowings	Long-term borrowings	Bonds payable (including current portion)	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ 423,066	\$ 4,566,805	\$ 1,161,529	\$ 10,276	\$ 6,161,676
Changes in cash flow from financing activities	( 333,575)	421,139	-	( 1,568)	85,996
Changes in other non-cash items:					
Convertible right exercise	-	-	( 823,064)	-	( 823,064)
Discount on bonds payable	-	-	7,229	-	7,229
Impact of changes in foreign exchange rate	-	12,825	-	-	12,825
At December 31	<u>\$ 89,491</u>	<u>\$ 5,000,769</u>	<u>\$ 345,694</u>	<u>\$ 8,708</u>	<u>\$ 5,444,662</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Ene Technology Inc.	Board of Director

### (2) Significant related party transactions

#### A. Operating revenue:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Sales of services:		
Others	\$ <u>30,523</u>	\$ <u>28,693</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

#### B. Receivables from related parties:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Receivables from related parties:		
Others	\$ <u>5,624</u>	\$ <u>9,958</u>

The receivables from related parties arise mainly from sales. The receivables are unsecured in nature and bear no interest.

### (3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 128,102	\$ 121,395
Post-employment benefits	<u>2,235</u>	<u>2,003</u>
	<u>\$ 130,337</u>	<u>\$ 123,398</u>

## 8. PLEDGED ASSETS

Sigurd Group's assets pledged as collateral are as follows:

<u>Assets</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	
Reserve account- demand deposits (Note 1)	\$ 6,419	\$ -	Short-term and long-term borrowings
Pledge time deposits (Note 2)	20,700	19,700	Custom guarantee for imported goods
Property, plant and equipment	<u>1,313,483</u>	<u>1,875,669</u>	Short-term and long-term borrowings
	<u>\$ 1,340,602</u>	<u>\$ 1,895,369</u>	

Note 1: Shown as "Other current assets".

Note 2: Shown as "Financial assets at amortized cost"

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

### (1)Contingencies

On August 5, 2015, Winstek Semiconductor Co. Ltd. and its subsidiaries entered into a 5-year technical service contract with STATS ChipPAC Ltd. Under the contract, Winstek Semiconductor Co. Ltd. and its subsidiaries shall reserve their production capacities for providing wafer packaging and testing services to STATS ChipPAC Ltd. during the 5-year contract period starting from the contract date. The terms of the contract are as follows:

1. Winstek Semiconductor Co. Ltd. and its subsidiaries shall reserve their monthly minimum production capacities to STATS ChipPAC Ltd. in order to provide services timely. Winstek Semiconductor Co. Ltd. and its subsidiaries provide services within the scope of available production capacity under the current production capacity if the order quantity placed by STATS ChipPAC Ltd. is between the minimum and maximum production capacities; Winstek Semiconductor Co. Ltd. and its subsidiaries have no obligation to provide additional services if the order quantity placed by STATS ChipPAC Ltd. is out of the maximum production capacity of Winstek Semiconductor Co. Ltd. and its subsidiaries.
2. Under the contract, order quantities from STATS ChipPAC Ltd. shall at least be placed at agreed minimum order quantity, and Winstek Semiconductor Co. Ltd. and its subsidiaries have a right to claim a compensation for the residual capacities between the reserved capacities and the minimum order quantity based on the procedures specified in the contract. Order quantities will be calculated every 12 months after the contract date. 5% of minimum order quantity can be deferred to the next year if the order quantity placed by STATS ChipPAC Ltd. is under the minimum order quantity, and STATS ChipPAC Ltd. shall grant compensation to Winstek Semiconductor Co. Ltd. and its subsidiaries for those order quantities which do not reach the minimum order quantity, excluding those deferred order quantities. The right of deferring order quantities can be exercised only one times every year, and those deferred one can not be deferred in the next year again. In addition, the right of deferring order quantities can not be exercised at the last year of the contract period.
3. Winstek Semiconductor Co. Ltd. and its subsidiaries entered into an agreement with STATS ChipPAC Ltd. in January 2017. In the first contractual year (period from the contract date to August 4, 2016), STATS ChipPAC Ltd. agreed to pay the compensation amounting to US\$30,197 thousand for those order quantities which did not reach the minimum order quantity. In the fourth quarter of 2016 and the first quarter of 2017, Winstek Semiconductor Co. Ltd. and its subsidiaries recognised compensatory revenue for the compensation amounted to US\$15,098 thousand ( \$ 487,007) and US\$15,099 thousand ( \$ 463,024), respectively.

4. In addition, the minimum order quantity is calculated aggregately starting from the second contractual year under mutual agreement, and no change was made in the total minimum order quantity. The consolidated minimum order quantity purchased from STATS ChipPAC Ltd. to Winstek Semiconductor Co. Ltd. and its subsidiaries is as follows:

Unit: Thousands of USD

	<u>Second Year</u>	<u>Third Year</u>	<u>Fourth Year</u>	<u>Fifth Year</u>
Minimum Procurement Amount	\$ 80,800	\$ 75,100	\$ 63,200	\$ 51,400
Deferred Amount for the Second Year	4,750	-	-	-
Deferred Amount for the Third Year	( 4,040)	4,040	-	-
Deferred Amount for the Fourth Year	-	( 3,755)	3,755	-
Deferred Amount for the Fifth Year	-	-	( 3,160)	3,160
	<u>\$ 81,510</u>	<u>\$ 75,385</u>	<u>\$ 63,795</u>	<u>\$ 54,560</u>

5. Winstek Semiconductor Co. Ltd. and its subsidiaries entered into an agreement with STATS ChipPAC Ltd. in November 2017. In the second contractual year (period from August 5, 2016 to August 4, 2017), STATS ChipPAC Ltd. deferred 5% of the minimum order quantity to the next year and agreed to pay the compensation amounting to US\$15,694 thousand (\$467,331) for those order quantities which did not reach the minimum order quantity. Because STATS ChipPAC Ltd. has paid the compensation in accordance with the aforementioned contract and has placed orders for the third contractual year, thus the management of Winstek Semiconductor Co. Ltd. and its subsidiaries considered the realization of compensation revenue is highly probable. For the year ended December 31, 2017, all the compensation was recognized as compensatory revenue.
6. From August 5, 2017 to August 4, 2018, the consolidated order quantities purchased from STATS ChipPAC Ltd. to Winstek Semiconductor Co. Ltd. and its subsidiaries was US\$68,555 thousand. In the third contractual year, STATS ChipPAC Ltd. deferred 5% of the minimum order quantity to the next year. In addition, Winstek Semiconductor Co. Ltd. has claimed the compensation on the difference which did not reached the minimum order quantity of the third contractual year to STATS ChipPAC Ltd. in accordance with the contract.
- To maintain the long-term cooperation between the two parties, STATS ChipPAC Ltd. proposed a settlement based on long-term commercial benefits. The Board of Directors of Winstek Technology Co., Ltd. also took into consideration its business operation and commercial judgement, and resolved to settle with STATS ChipPAC Ltd. On September 20, 2018, the resolved settlement with STATS ChipPAC Ltd. is as follows:

- (a) Both parties agreed to expand the technical service contract for two years (from August 5, 2020 to August 4, 2022), in accordance with the contract, the consolidated minimum order quantity purchased from STATS ChipPAC Ltd. to Winstek Semiconductor Co. Ltd. and its subsidiaries is as follows:

	Unit: Thousands of USD	
	Sixth Year	Seventh Year
Minimum Procurement Amount	\$ <u>30,000</u>	\$ <u>30,000</u>

- (b) Winstek Semiconductor Co. Ltd. and its subsidiaries reserve production capacity of US\$40,000 thousand for STATS ChipPAC Ltd. in each contractual year during the expanded two years.
- (c) If STATS ChipPAC Ltd. does not reach the committed amount in the current year, the insufficient amount can be deferred to the next year.
- (d) STATS ChipPAC Ltd. agrees to prior purchase from Winstek Semiconductor Co. Ltd. and its subsidiaries at a special discounted price in the fourth contractual year.
- (e) Based on commercial benefit and maintenance of long-term cooperation of both parties, Winstek Semiconductor Co. Ltd. will not claim a compensation against STATS ChipPAC Ltd. amounting to US\$6,830 thousand for those order quantities which did not reach the minimum order quantity in the third contractual year.

The aforementioned settlement was not completed under the mutual negotiation. On the other hand, STATS ChipPAC Ltd. proposed a further negotiation for the settlement due to its internal consideration. On March 19, 2019, the Board of Directors of Winstek Semiconductor Co. Ltd. resolved to change the terms of the settlement. STATS ChipPAC Ltd. agreed to pay the compensation for those amounts which did not reach the minimum order quantity in the third contractual year to Winstek Semiconductor Co. Ltd. and its subsidiaries amounting to US\$5,000 thousand (NT\$153,850). On March 27, 2019, the settlement agreement was signed under mutual agreement between the two parties. As of December 31, 2019, the compensation was fully recognized in compensation income.

7. In the fourth contractual year (from August 5, 2018 to August 4, 2019) of the 5-year period technology service contract that Winstek Semiconductor Co. Ltd. and its subsidiaries signed with STATS ChipPAC Ltd. on August 5, 2015, the consolidated order quantities purchased from STATS ChipPAC Ltd. to Winstek Semiconductor Co. Ltd. and its subsidiaries was US\$36,435 thousand. STATS ChipPAC Ltd. deferred 5% of minimum order quantity purchase to the next year. STATS ChipPAC Ltd. entered into a settlement agreement with Winstek Semiconductor Co. Ltd. and its subsidiaries for those amounts which did not reach the minimum order quantity on October 16, 2019. STATS ChipPAC Ltd. agreed to pay compensation to Winstek Semiconductor Co. Ltd. and its subsidiaries amounting to US\$20,520

thousand. As of March 10, 2020, Winstek Semiconductor Co. Ltd. and its subsidiaries have received the installment compensation, based on the settlement agreement, amounting to US\$11,000 thousand.

8. For the period from August 5, 2019 to December 31, 2019, STATS ChipPAC Ltd's consolidated order quantities purchase from Winstek Semiconductor Co. Ltd. and its subsidiaries was US\$22,001 thousand, which are belong to the fifth contractual year.

(2)Commitments

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property, plant and equipment	\$ 1,075,199	\$ 470,413

10. SIGNIFICANT DISASTER LOSS ALL CAPITALS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE ALL CAPITALS

Please refer to Note 6(16) for the appropriation for 2019.

12. Others

(1)Capital management

Sigurd Group's capital management objectives are to ensure that Sigurd Group can continue to operate, maintain the best capital structure to reduce capital costs, and provide compensation to shareholders. To maintain or adjust the capital structure, Sigurd Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. Sigurd Group uses the debt-to-capital ratio to monitor its capital, which is calculated as net debt divided by total capital. Net debt is calculated as total loans (including "Current and Non-current Loans" as reported in the Consolidated Balance Sheet) minus cash and cash equivalents. The calculation of total capital is the "Equity" reported in the Consolidated Balance Sheet plus the net debt.

Sigurd Group's strategy for 2019 remained the same as that of 2018, which was committed to maintain the debt-to-capital ratio at around 40%. As of December 31, 2019 and 2018, Sigurd Group's debt ratio was less than 40%.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</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	\$ 338,007	\$ 158,981
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	495,733	535,645
Financial assets at amortized cost		
Cash and cash equivalents	4,620,939	4,338,605
Financial assets at amortized cost	4,350,588	2,285,870
Notes receivable	672	121
Accounts receivable( including related party)	3,074,057	2,414,782
Other receivables	49,638	21,182
Guarantee deposits paid	25,259	15,627
	<u>\$ 12,954,893</u>	<u>\$ 9,770,813</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 640,712	\$ 89,491
Notes payable	2,410	-
Accounts payable	227,422	178,648
Other accounts payable	2,128,032	1,313,177
Corporate bonds payable (including current portion)	1,182,781	345,694
Long-term borrowings (including current portion)	5,824,176	5,000,769
Guarantee deposits received	8,364	8,708
	<u>\$ 10,013,897</u>	<u>\$ 6,936,487</u>
Lease liabilities	<u>\$ 395,865</u>	<u>\$ -</u>

## B. Financial risk management policies

- (a) Sigurd Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of Sigurd Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with Sigurd Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Foreign exchange risk

- i. Sigurd Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and subsidiaries used in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group are required to hedge their entire foreign exchange risk exposure with Sigurd Group treasury. Exchange rate risk is resulted by each business units records their future operating transactions and recognized assets or liabilities as foreign currency instead of their functional currency.

iii. Sigurd Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD). 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, 2019			
	Foreign currency amount	Exchange rate	Book value
	(In thousands)		(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 87,372	29.980	\$ 2,619,419
NTD:USD	679,830	0.033	679,830
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 25,466	29.980	\$ 763,451
NTD:USD	622,047	0.033	622,047
December 31, 2018			
	Foreign currency amount	Exchange rate	Book value
	(In thousands)		(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 70,611	30.715	\$ 2,168,835
NTD:USD	670,582	0.033	670,582
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 5,209	30.715	\$ 159,972
NTD:USD	543,269	0.033	543,269

- iv. The total exchange gain (loss) from significant foreign exchange variation on the monetary items held by Sigurd Group for the years ended December 31, 2019 and 2018 amounted to (\$66,856) and \$44,735, respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

		Year ended December 31, 2019		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 26,194	\$ -
	NTD:USD	1%	6,798	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	(\$ 7,635)	\$ -
	NTD:USD	1%	( 6,220)	-
		Year ended December 31, 2018		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 21,688	\$ -
	NTD:USD	1%	6,706	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 1,600	\$ -
	NTD:USD	1%	5,433	-

#### Price risk

- i. Sigurd Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, Sigurd Group diversifies its portfolio. Diversification of the portfolio is done in

accordance with the limits set by Sigurd Group.

- ii. Sigurd Group's investments in equity securities comprise shares and open-end funds issued by the domestic 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, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$3,380 and \$1,590, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$4,957 and \$5,356, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

#### Cash flow and fair value Interest rate risk

- i. Sigurd Group's main interest rate risk arises from short-term and long-term borrowings with variable rates, which expose Sigurd Group to cash flow interest rate risk. During 2019 and 2018, Sigurd Group's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.
- ii. Sigurd Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2019 and 2018 would have decreased/increased by \$64,649 and \$50,970, 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 Sigurd Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. Sigurd Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to Sigurd Group's credit policy, each local entity in Sigurd Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.

- iii. Sigurd Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- iv. Sigurd Group classifies customers' accounts receivable, and contract assets in accordance with credit rating of customer. Sigurd Group applies the modified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.
- v. Sigurd Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
- (i) 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.
  - (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments; and
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. Sigurd Group used the forecast ability of historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. As of December 31, 2019 and 2018, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Up to 180 days	Total
<u>At December 31, 2019</u>						
Expected loss rate	0.001%	0.001%	30%	50%	50%~100%	
Total book value	\$ 2,755,834	\$ 292,603	\$ 143,614	\$ 2,607	\$ 53,913	\$ 3,248,571
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ 53,839	\$ 53,839
<u>At December 31, 2018</u>						
Expected loss rate	0.001%	0.001%	30%	50%	50%~100%	
Total book value	\$ 1,994,873	\$ 241,220	\$ 215,768	\$ 54,903	\$ 57,487	\$ 2,564,251
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ 55,587	\$ 55,587

viii. Sigurd Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, Sigurd Group will continue executing the recourse procedures to secure their rights. As of December 31, 2019 and 2018, Sigurd Group's written-of financial assets that are still under recourse procedures amounted to \$0.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of Sigurd Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of Sigurd Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that Sigurd Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration Sigurd Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

ii. Sigurd Group has the following undrawn borrowing facilities:

	December 31, 2019	December 31, 2018
Floating rate:		
Expiring within one year	\$ 1,943,647	\$ 2,083,806
Expiring beyond one year	2,010,000	2,103,550
	<u>\$ 3,953,647</u>	<u>\$ 4,187,356</u>

iii. The table below analyses Sigurd Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2019	Between 6				Total
	Less than 6 months	months and 1 year	Between 1 and 2 years	Over 2 years	
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 640,712	\$ -	\$ -	\$ -	\$ 640,712
Accounts payable	227,422	-	-	-	227,422
Other payables	2,128,032	-	-	-	2,128,032
Lease liability	63,914	37,884	52,935	360,634	515,367
Bonds payable (including current portion)	20,000	-	-	1,200,000	1,220,000
Long-term borrowings (including current portion)	2,139,081	895,931	1,870,557	1,006,939	5,912,508

December 31, 2018	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Over 2 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 89,491	\$ -	\$ -	\$ -	\$ 89,491
Accounts payable	178,648	-	-	-	178,648
Other payables	593,470	66,306	-	-	659,776
Bonds payable	-	-	351,400	-	351,400
Long-term borrowings (including current portion)	1,360,189	748,248	1,624,430	1,688,412	5,421,279

**(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. The fair value of Sigurd Group's investment in listed stocks is included in Level 1

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. The fair value of Sigurd Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

Except for those listed in the table below, the carrying amounts of cash and cash equivalents financial assets at amortized cost, notes receivable, accounts receivable, other receivables, short-term and long-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

	December 31, 2019			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable (including current portion)	<u>\$ 1,182,781</u>	<u>\$ -</u>	<u>\$ 1,178,908</u>	<u>\$ -</u>

	December 31, 2018			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable (including current portion)	\$ 345,694	\$ -	\$ 346,516	\$ -

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, 2018 and 2019 is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 164,695	\$ -	\$ -	\$ 164,695
Listed company stocks	2,277	-	-	2,277
General corporate bonds	129,781	-	-	129,781
Exchangeable corporate bonds	41,254	-	-	41,254
Investment measured at fair value through other comprehensive income				
Equity securities	46,132	-	449,601	495,733
	<u>\$ 384,139</u>	<u>\$ -</u>	<u>\$ 449,601</u>	<u>\$ 833,740</u>
December 31, 2018	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificate	\$ 86,504	\$ -	\$ -	\$ 86,504
Listed company stocks	2,113	-	-	2,113
General corporate bonds	40,003	-	-	40,003
Exchangeable corporate bonds	30,361	-	-	30,361
Investment Measured at fair value through other comprehensive income				
Equity securities	13,875	-	521,770	535,645
	<u>\$ 172,856</u>	<u>\$ -</u>	<u>\$ 521,770</u>	<u>\$ 694,626</u>

- (b) The methods and assumptions Sigurd Group used to measure fair value are as follows:
- i. The instruments Sigurd Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>	<u>Corporate bond</u>	<u>Convertible (exchangeable) bond</u>
Market quoted price	Closing price	Closing price	Weighted average quoted price	Closing price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

D. For the years ended December 31, 2019 and 2018, 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
	<u>Equity securities</u>	<u>Equity securities</u>
At January 1	\$ 521,770	\$ -
Retrospective application and Retrospective restatement Effects	-	505,558
	<u>521,770</u>	<u>505,558</u>
Gains and losses recognized in other comprehensive income	-	-
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	173,351	16,212
Sold in the year	( 245,520)	-
At December 31	<u>\$ 449,601</u>	<u>\$ 521,770</u>

F. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

G. Financial & Accounts segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the

resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. Investment property is valued regularly by Sigurd Group's Financial & Accounts segment based on the valuation methods and assumptions announced by the Financial Supervisory Commission, Securities and Futures Bureau or through outsourced appraisal performed by the external valuer.

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 measure:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$ 449,601	Net asset value	Not applicable	0.90	The higher the net asset value, the higher the fair value
	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$ 521,770	Market comparable companies and net asset value	Price to earnings ratio multiple, net asset value	0.93	The higher the multiple and net asset value, the higher the fair value

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

As of December 31, 2019, there was no financial assets and liabilities categorized within Level 3.

				December 31, 2018			
				Recognised in profit or loss		Recognised in other comprehensive income	
		Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instrument	Price to earnings ratio multiple, net asset value	±1%	\$ -	\$ -	\$ 5,219	(	5,219)

### 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 year (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 None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting year: None.
- J. Significant inter-company transactions during the reporting year: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

14. SEGMENT INFORMATION

(1) General information

The management level of Sigurd Group has identified the departments that must issue reports based on the reporting information used by the chief operating decision-maker to make decisions.

Sigurd Group's chief operating decision-maker has conducted businesses from a product perspective. The operating departments exposed by Sigurd Group mainly engage in the businesses of packaging, testing, and international trade.

(2) Measurement of segment information

The General Manager evaluates the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructure costs, legal fees and goodwill impairments when the impairment is the result of an isolated, non-recurring event. The measurement also excludes the effects of equity-settled share-based payment and unrealised gains/losses on financial instruments. Interest income and expense are not allocated to operating segments, as this type of activity is driven by Sigurd Group's central treasury function, which manages the cash position of Sigurd Group.

(3) Information about segment profit or loss, assets and liabilities

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

	Year ended December 31, 2019		
	<u>Bumping and testing</u>	<u>Trading</u>	<u>Total</u>
Revenue from external customers	\$ 10,046,619	\$ -	\$ 10,046,619
Segment income (loss) (Note)	2,075,572	( 4,568)	2,071,004

	December 31, 2019		
	<u>Bumping and testing</u>	<u>Trading</u>	<u>Total</u>
Segment Assets	\$ 24,702,268	\$ 50,795	\$ 24,753,063

	Year ended December 31, 2018		
	<u>Bumping and testing</u>	<u>Trading</u>	<u>Total</u>
Revenue from external customers	\$ 9,541,489	\$ -	\$ 9,541,489
Segment income (loss)	1,798,709	( 6,974)	1,791,735

	December 31, 2018		
	<u>Bumping and testing</u>	<u>Trading</u>	<u>Total</u>
Segment assets	\$ 19,438,940	\$ 31,809	\$ 19,470,749

(4) Reconciliation for segment income (loss)

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

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2019 and 2018 is provided as follows:

The adoption of IFRS 16 had the following impact on the segment information in 2019.

	<u>Bumping and testing</u>			<u>Trading</u>	
	<u>China</u>	<u>Taiwan</u>	<u>Japan</u>	<u>China</u>	<u>Total</u>
Depreciation expense increased	\$ 8,203	\$ 145,237	\$ 693	\$ -	\$ 154,133
Segment assets increased	\$ 308,115	\$ 82,251	\$ 5,563	\$ -	\$ 395,929
Segment liabilities increased	\$ 308,799	\$ 84,258	\$ 2,808	\$ -	\$ 395,865

(5) Information on products and services

External customer revenue is mainly derived from the packaging and testing services of integrated circuits as well as international trade income. The performance of related products is the same as that in Note 14 (3).

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	<u>Year ended December 31, 2019</u>		<u>Year ended December 31, 2018</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
	Taiwan	\$ 5,199,122	\$ 10,761,489	\$ 5,021,795
Singapore	2,763,996	-	2,450,118	-
China	906,986	389,309	728,792	31,466
America	599,005	-	694,143	-
Others	577,510	6,511	646,641	-
	<u>\$ 10,046,619</u>	<u>\$ 11,157,309</u>	<u>\$ 9,541,489</u>	<u>\$ 9,214,123</u>

(7) Major customers information

Major customers information of Sigurd Group for the years ended December 31, 2019 and 2018 is as follows:

	<u>Year ended December 31, 2019</u>		<u>Year ended December 31, 2018</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
H	\$ 2,061,752	All group	\$ 1,755,261	All group
A	1,207,892	All group	983,755	All group
D	678,007	All group	459,278	All group
I	673,180	All group	988,676	All group

Sigurd Microelectronics Corporation and Subsidiaries

Loans to others

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year	Balance at	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					ended December 31, (Note 2)	December 31, 2019							Item	Value			
1	Flatek, Inc.	Tpfusion Inc.	Other receivables - related party	Y	\$ 7,165	\$ 7,165	\$ 7,165	0%	Reason for short-term financing	\$ -	Operational need	\$ -	-	\$ -	\$ 66,598	\$ 66,598	Note 4
1	Flatek, Inc.	Greenflatek, Inc.	Other receivables	N	734	734	734	0%	Reason for short-term financing	-	Operational need	-	-	-	66,598	66,598	Note 4
2	Valuenet International Ltd.	TPFUSION INC.	Other receivables - related party	Y	23,848	-	-	0%	Reason for short-term financing	-	Operational need	-	-	-	21,210	21,210	Note 4
2	Valuenet International Ltd.	Greenflatek, Inc.	Other receivables	N	6,317	6,317	6,317	0%	Reason for short-term financing	-	Operational need	-	-	-	21,210	21,210	Note 4
2	Valuenet International Ltd.	TPfusion Corp.	Other receivables - related party	Y	14,037	14,037	14,037	0%	Reason for short-term financing	-	Operational need	-	-	-	21,210	21,210	Note 4
2	Valuenet International Ltd.	OPS Electronic Limited	Other receivables - related party	Y	30,162	30,162	30,162	0%	Reason for short-term financing	-	Operational need	-	-	-	159,074	159,074	Note 5
3	Tpfusion Inc.	TPfusion Corp.	Other receivables - related party	Y	23,069	-	-	0%	Reason for short-term financing	-	Operational need	-	-	-	-	-	-

Note 1: The numbers filled in for the loans 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: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2019.

Note 3: The column of 'Nature of loan' shall fill in 'Business transaction' or 'Short-term financing'.

Note 4: In accordance with that the Company's Procedures for Provision of Loans: the ceiling on total loans granted is 40% of its net equity, and the limit on loans granted to a single party is 40% of its net equity, except loans to subsidiaries.

Note 5: For loans granted mutually between subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by an overseas subsidiary to all overseas subsidiaries is 300% of the Company's net assets; limit on loans granted by an overseas subsidiary to a single subsidiary is 300% of the Company's net assets.

Sigurd Microelectronics Corporation and Subsidiaries  
Provision of endorsements and guarantees to others  
Year ended December 31, 2019

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (Note 10)	Ceiling on total amount of guarantees provided (Note 9)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	Sigurd Microelectronics Corp.	Burgurd Co., Ltd.	3	\$ 3,376,096	\$ 218,770	\$ 104,930	\$ 44,970	\$ -	0.93%	\$ 4,501,462	Y	N	N	
0	Sigurd Microelectronics Corp.	SIRIZE Technology (Suzhou) Corp.	3	3,376,096	610,000	599,600	-	-	5.33%	4,501,462	Y	N	Y	
0	Sigurd Microelectronics Corp.	Flatek, Inc.	3	3,376,096	150,000	150,000	-	-	1.33%	4,501,462	Y	N	N	
1	Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	2	4,888,996	2,400,000	900,000	450,000	-	18.00%	4,888,996	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: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1)Having business relationship.

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

(3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: As of the end of the year, the Company shall bear the responsibility for endorsement/guarantee upon the signing of the endorsement/guarantee contract with the bank or upon the approval of limit.  
Other relevant endorsements/guarantees should be included in the endorsement/guarantee balance.

Sigurd Microelectronics Corporation and Subsidiaries

Provision of endorsements and guarantees to others

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 8: In accordance with the Company's Procedures for Provision of Loans: the limit on endorsements/guarantees to a single party is 30% of its net assets.

Note 9: In accordance with the Company's Procedures for Provision of Loans: the ceiling on total endorsements/guarantees is 40% of the Company's net assets,

Note 10: The total endorsement/guarantee amount provided by Winstek Semiconductor Co., Ltd. (Winstek Technology) shall not exceed 50% of the its net value in the latest period.

The endorsement guarantee limit for a single enterprise shall be limited at 20% of the net value of Winstek Semiconductor Co., Ltd. (Winstek Technology) at the time when the endorsement/guarantee was made.

However, an endorsement/guarantee between Winstek Semiconductor Co., Ltd. (Winstek Technology) and among companies of which Winstek Technology directly or indirectly holds 100% of the voting shares, or other companies that Winstek Technology has agreed to purchase and upon completion will become a subsidiary of which Winstek Technology directly or indirectly holds 100% shares, and approved by a resolution of the Board of Directors, its endorsement/guarantee amount shall not be restricted by the aforesaid total amount of endorsement/guarantee and the limit of endorsement/guarantee for a single enterprise. However, the endorsement/guarantee to a single enterprise shall not exceed 100% of the net value of Winstek Technology in its most recent financial reports audited or reviewed by CPA.

In addition, the endorsement/guarantee not between Winstek Technology and among companies of which Winstek Technology directly or indirectly holds 100% voting shares, the total cumulative amount of such external endorsements/guarantees shall not exceed 100% of the net value of Winstek Technology in its most recent financial reports audited or reviewed by CPA.

Sigurd Microelectronics Corporation and Subsidiaries

Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)

December 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

		As of December 31, 2019						
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
Sigurd Microelectronics Corp.	Yuanta New ASEAN Balanced Fund	None	Current financial assets at fair value through profit or loss	\$ 3,000,000	\$ 27,090	-	\$ 27,090	
Sigurd Microelectronics Corp.	Yuanta Emerging Indonesia and India 4 years Bond Fund	None	Current financial assets at fair value through profit or loss	2,000,000	20,168	-	20,168	
Sigurd Microelectronics Corp.	Jih Sun China Strategy A Share Fund	None	Current financial assets at fair value through profit or loss	830,565	9,444	-	9,444	
Sigurd Microelectronics Corp.	Fuh Hua Smart Energy Bond Fund I	None	Current financial assets at fair value through profit or loss	2,000,000	21,080	-	21,080	
Sigurd Microelectronics Corp.	Fuh Hua Smart Energy Bond Fund II	None	Current financial assets at fair value through profit or loss	1,000,000	10,610	-	10,610	
Sigurd Microelectronics Corp.	Fuh Hwa Emerging Market Short-term Income Fund	None	Current financial assets at fair value through profit or loss	1,798,561	20,558	-	20,558	
Sigurd Microelectronics Corp.	CTBC iCity Development Fund	None	Current financial assets at fair value through profit or loss	500,000	4,995	-	4,995	
Sigurd Microelectronics Corp.	KGI Taiwan Multi-Asset Income Fund	None	Current financial assets at fair value through profit or loss	5,000,000	50,750	-	50,750	
Sigurd Microelectronics Corp.	Tung Ho Steel Enterprise Corp. 7th Domestic Convertible Bond	None	Current financial assets at fair value through profit or loss	100,000	10,606	-	10,606	
Sigurd Microelectronics Corp.	Yang Ming Marine Transport Corp. Domestic 5th Secured Convertible Bond	None	Current financial assets at fair value through profit or loss	200,000	20,314	-	20,314	
Sigurd Microelectronics Corp.	Standard Chartered PLC Perpetual Bond	None	Current financial assets at fair value through profit or loss	500,000	15,145	-	15,145	
Sigurd Microelectronics Corp.	ING Group Subordinated Perpetual Bond	None	Current financial assets at fair value through profit or loss	500,000	15,138	-	15,138	
Sigurd Microelectronics Corp.	Standard Chartered PLC Fixed Interest Bond.(USD)	None	Current financial assets at fair value through profit or loss	900,000	28,463	-	28,463	
Sigurd Microelectronics Corp.	Citigroup Inc. Fixed Interest Bond (USD)	None	Current financial assets at fair value through profit or loss	1,000,000	32,807	-	32,807	
Sigurd Microelectronics Corp.	Deutsche Bank NY Fixed Interest Bond (USD)	None	Current financial assets at fair value through profit or loss	900,000	28,177	-	28,177	
Sigurd Microelectronics Corp.	Mega Danish Covered Mortgage Bond Index Fund	None	Current financial assets at fair value through profit or loss	219,451	10,051	-	10,051	
Sigurd Microelectronics Corp.	Jih Lin Technology Co., Ltd. 2nd Domestic Unsecured Convertible Bonds	None	Current financial assets at fair value through profit or loss	100,000	10,334	-	10,334	
Sigurd Microelectronics Corp.	Tung Ho Steel Enterprise Corp.	None	Current financial assets at fair value through profit or loss	99,000	2,277	-	2,277	

Sigurd Microelectronics Corporation and Subsidiaries  
Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)  
December 31, 2019

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, 2019				
				Number of shares	Book value	Ownership (%)	Fair value	Footnote
Sigurd Microelectronics Corp.	ENE Technology Inc.	Board of Director	Non-current financial assets at fair value through other comprehensive income	\$ 1,373,798	\$ 15,112	1.83%	\$ 15,112	
Sigurd Microelectronics Corp.	Advanplating Technology Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	1,185,000	-	11.36%	-	
Sigurd Microelectronics Corp.	Ordinary Shares of EGTRAN Inc.	None	Non-current financial assets at fair value through other comprehensive income	21,689	-	2.16%	-	
Sigurd Microelectronics Corp.	iDESYN Semiconductor Corp. Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	23,040	-	0.03%	-	
Sigurd Microelectronics Corp.	Yann Yuan Investments Co., Ltd.	Board of Director	Non-current financial assets at fair value through other comprehensive income	6,000,000	449,601	4.03%	449,601	
Sigurd Microelectronics Corp.	WPG Holdings Limited Preferred Share A	None	Non-current financial assets at fair value through other comprehensive income	600,000	31,020	0.30%	31,020	
TEST-SERV Inc.	Samhop Microelectronics Corp.	None	Non-current financial assets at fair value through other comprehensive income	114,757	-	1.07%	-	
TEST-SERV Inc.	Sitec Semiconductor Ltd.	None	Non-current financial assets at fair value through other comprehensive income	20,545,354	-	1.22%	-	
TEST-SERV Inc.	Deepwaters Digital Support Inc.	None	Non-current financial assets at fair value through other comprehensive income	190,476	-	1.11%	-	

Sigurd Microelectronics Corporation and Subsidiaries  
 Significant inter-company transactions during the reporting periods  
 Year ended December 31, 2019

Table 4

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Sigurd Microelectronics Corporation	Winstek Semiconductor Co., Ltd	1	Property, plant and equipment	\$ 57,546	Note 6	0.23%
1	Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	3	Operating revenue	83,822	Note 6	0.83%
1	Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	3	Accounts receivable	32,317	Note 6	0.13%

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.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on year-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Note 5: Including the amount of the parent company's fund loaned to subsidiary, according to the agreed interest rate plus interest.

Note 6: For these transactions, the prices and times were determined in accordance with mutual agreements.

Note 7: Only the transactions over \$20,000 are disclosed, and the related party transactions are not disclosed.

Sigurd Microelectronics Corporation and Subsidiaries

Information on investees  
Years ended December 31, 2019

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 2(3))	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Sigurd Microelectronics Corp.	Sigurd International Co., Ltd.	British Virgin Islands	Investment company	\$ 975,135	\$ 975,135	30,254,043	100.00	\$ 166,871	\$ 396	\$ 396	
Sigurd Microelectronics Corp.	Burgurd Co., Ltd.	Hongkong	International trade company	20,460	20,460	-	100.00	( 40,434)	( 2,076)	( 2,076)	
Sigurd Microelectronics Corp.	TEST-SERV Inc.	Taiwan	Semiconductor assembly and testing	1,403,337	1,403,337	80,200,031	100.00	1,265,115	131,307	117,204	
Sigurd Microelectronics Corp.	Bloomeria Limited	Singapore	Investment company	1,643,776	1,643,776	2,202,218,293	100.00	2,501,759	321,549	290,253	
Sigurd Microelectronics Corp.	AMBERSAN medical technology Co., Ltd.	Taiwan	Medical equipment manufacturing and sales	18,150	-	1,815,000	55.00	17,792	( 650)	( 358)	
Sigurd Microelectronics Corp.	Flatek, Inc.	Taiwan	Digital Information supply service	100,000	-	10,000,000	58.77	80,511	( 34,760)	( 21,854)	
Sigurd Microelectronics Corp.	Flusol Co., Ltd.	Hongkong	Investment company	804,506	-	-	96.66	716,783	( 24,273)	( 23,881)	
Sigurd International Co., Ltd.	Sigurd Microelectronics (Cayman) Co., Ltd.	Cayman Islands	Investment company	795,850	795,850	35,503,018	78.33	123,789	2,482	-	
Sigurd International Co., Ltd.	Flusol Co., Ltd.	Hongkong	Investment company	47,106	47,106	-	3.34	24,788	( 24,273)	-	
Bloomeria Limited	Winstek Semiconductor Co., Ltd.	Taiwan	Packaging testing	2,242,871	2,242,871	70,694,438	51.88	2,365,987	567,643	-	
Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	Taiwan	Services of turnkey wafer bumping and wafer level packaging	2,875,740	2,875,740	310,000,000	100.00	3,239,569	165,193	-	

Sigurd Microelectronics Corporation and Subsidiaries

Information on investees  
Years ended December 31, 2019

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 2(3))	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
TEST-SERV Inc.	Winstek Semiconductor Co., Ltd.	Taiwan	Packaging testing	1,120	-	43,000	0.03	1,185	567,643	-	
Flatek, Inc.	OPS Electronic Ltd.	Hongkong	Investment company	40	-	10,000	100.00	5,559 (	18,571)	-	
Flatek, Inc.	TPFUSION INC.	Taiwan	Digital Information supply service	11,250	-	1,125,000	75.00 (	78,299) (	105,742)	-	
Flatek, Inc.	Valuenet International Ltd.	British Virgin Islands	Digital Information supply service	1,568	-	50,000	100.00	51,712	7,487	-	
TPFUSION INC.	TPfusion Corp.	Japan	Digital Information supply service	6,684	6,684	97,971	98.00 (	96,266)	8,857	-	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2019' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column..
- (2)The 'Net profit (loss) of the investee for the year ended December 31, 2019' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognized by the Company for the year ended December 31, 2019' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this year. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this year has included its investment income (loss) which shall be recognized by regulations.

Sigurd Microelectronics Corporation and Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 2(2) B)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
				\$	Remitted to Mainland China	Remitted back to Taiwan	\$					\$	
Sigurd Micro Electronics (Wuxi) Co., Ltd.	Production and sales of microelectronic products	\$ 911,278	2	\$ 611,991	\$ -	\$ -	\$ 611,991	\$ 1,944	78.33	\$ 1,523	\$ 149,618	\$ -	Note 4
Flusol (Shenzhen) Co., Ltd.	Commodity broker, commodity brokerage, and integrated circuit design	45,249	2	45,249	-	7,954	45,249	( 20)	100.00	( 20)	70	-	Note 3
OPS Electronic (ShenZhen) Limited	Manufacture and sales of IC programmers and its parts, IC copiers, components for chip testers and electronic components	26,033	2	26,033	-	-	26,033	( 18,710)	100.00	( 5,856)	35,322	-	
SIRIZE Technology (Suzhou) Corp.	Design of testing application for integrated and advanced services of packing and testing for integrated circuit	757,700	2	-	757,700	-	757,700	( 22,432)	100.00	( 23,463)	734,182	-	

Sigurd Microelectronics Corporation and Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

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

(2) Through Investment in an existing company in the third area, which then invested in the investee in Mainland China. (Invested Sigurd Micro Electronics (Wuxi) Co., Ltd, through Sigurd Microelectronics (cayman) Co., Ltd; invested Flusol(Shenzhen) Co., Ltd and SIRIZE Technology (Suzhou) Corp. through Flusol Co., Ltd and invested OPS Electronic (ShenZhen) Limited through OPS Electronic Limited.

(3) Others

Note 2: In the 'Investment income (loss) recognized by the Company for the year ended December 31, 2019' column:

(1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

B. The financial statements that are audited and attested by R.O.C. parent company's CPA.

C. Self-contained financial statements.

Note 3: Flusol (Shenzhen) Co., Ltd. has remitted US\$259 thousand (NT\$7,954) to Flusol Co., Ltd on October 16, 2019.

Note 4: As of December 31, 2019, the accumulated amount of remittance including other investors from Taiwan to Sigurd Micro Electronics (Wuxi) Co., Ltd. is US\$27,700 thousand (NT\$ 826,153).

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	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
Sigurd Micro Electronics (Wuxi) Co., Ltd.	\$ 611,991	\$ 626,325	\$ 8,113,732
Flusol (Shenzhen) Co., Ltd.	45,249	45,249	8,113,732
OPS Electronic (ShenZhen) Limited SIRIZE Technology (Suzhou) Corp.	26,033 757,700	Note 5 1,349,100	Note 5 8,113,732

Note 5: The Company acquired Flatek, Inc. on September 6, 2019 and indirectly obtained the control of OPS Electronic (ShenZhen) Limited. Preceding investment has been submitted to MOEA for approval.

V. The unconsolidated financial reports for the most recent year audited and attested by CPAs

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 19000293

To the Board of Directors and Shareholders of Sigurd Microelectronics Corporation

### ***Opinion***

We have audited the parent company only balance sheets of Sigurd Microelectronics Corporation (the “Company”) as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (please refer to the *Other matter* section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of Sigurd Microelectronics Corporation as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

### ***Basis for opinion***

We conducted our audits 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 (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 judgement, were of most significance in

our audit of the parent company only financial statements of the current period. 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 matter of the Company during the year 2019 is as follows:

### ***Capitalization of property, plant and equipment***

#### Description

The Company increased the capital expenditure along with its operational needs. Please refer to Note 4 (14) for accounting policies on property, plant and equipment, and Note 6(8) for details of property, plant and equipment. Considering capitalization of property, plant and equipment is significant to the Company's financial statements, thus, we determined capitalization of property, plant and equipment a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

Assessed and tested the effectiveness of the internal control system on additions to property, plant and equipment and provision timing of depreciation, as well as sampled and verified respective purchase orders and invoices to ensure that transactions were approved accordingly and recognized amounts were correct. Sampled and examined the acceptance documents to validate whether the timing that assets are ready for use and are recorded in property listing is appropriate and confirm that depreciation are provided correctly.

### ***Other matter — Audited by Other Independent Accountants***

We did not audit the 2019 financial statements of certain investments accounted for using the equity method. Those financial statements were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants. Investments accounted for using equity method amounted to NT\$ 80,511 thousand as of December 31, 2019, constituting 0.40% of total assets, and their comprehensive loss amounted to NT\$ 36,992 thousand for the year ended December 31, 2019, constituting 2.63% of the total comprehensive income (loss).

***Responsibilities of management and those charged with governance for the parent company only financial statements***

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and for such internal control as the 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 the management either intends to liquidate the Company or to cease operations, or have 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.

***Auditor’s responsibilities for the audit of the parent company only financial statements***

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS 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 ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

7. 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.
8. 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.
9. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
10. 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
11. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Li, Tien-Yi

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Chiang, Tsai-Yen

For and on behalf of PricewaterhouseCoopers, Taiwan  
March 10, 2020

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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 report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

SIGURD MICROELECTRONICS CORPORATION  
PARENT COMPANY ONLY BALANCE SHEETS  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets	Notes	December 31, 2019		December 31, 2018	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
Cash and cash equivalents	6(1)	\$ 2,852,266	14	\$ 2,518,994	16
Current financial assets at fair value through profit or loss	6(2)	338,007	2	158,981	1
Current financial assets at amortized cost	6(4)	1,728,480	9	778,480	5
Current contract assets	6(19)	100,274	-	80,721	1
Accounts receivable, net	6(5)	1,649,706	8	1,425,868	9
Accounts receivable, net - related parties	6(5) and 7	6,436	-	9,958	-
Other receivables		32,115	-	12,933	-
Other receivables - related parties	7	1,019	-	3,853	-
Inventories	6(6)	60,754	-	69,895	-
Prepayments		225,080	1	150,057	1
Other current assets	8	5,569	-	4,649	-
<b>Total current assets</b>		<u>6,999,706</u>	<u>34</u>	<u>5,214,389</u>	<u>33</u>
<b>Non-current assets</b>					
Non-current financial assets at fair value through other comprehensive income	6(3)	495,733	3	530,875	3
Non-current financial assets at amortized cost	6(4)	30,000	-	-	-
Investments accounted for using equity method	6(7)	4,748,831	24	3,686,780	23
Property, plant and equipment	6(8) and 8	7,957,026	39	6,467,789	41
Right-of-use assets	6(9)	32,575	-	-	-
Intangible assets		22,878	-	25,508	-
Deferred tax assets	6(25)	19,401	-	7,978	-
Guarantee deposits paid		11,094	-	12,106	-
<b>Total non-current assets</b>		<u>13,317,538</u>	<u>66</u>	<u>10,731,036</u>	<u>67</u>
<b>Total assets</b>		<u>\$ 20,317,244</u>	<u>100</u>	<u>\$ 15,945,425</u>	<u>100</u>

(Continued)

**SIGURD MICROELECTRONICS CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
Short-term borrowings	6(10) and 8	\$ 571,242	3	\$ 34,204	-
Current contract liabilities	6(19)	1,188	-	776	-
Notes payable		800	-	-	-
Accounts payable		121,878	1	101,913	1
Other payables	6(11)	1,539,554	7	930,178	5
Other payables - related parties	7	9,378	-	117	-
Current tax liabilities		177,704	1	181,044	1
Current lease liabilities		20,012	-	-	-
Other current liabilities	6(12)(13) and 8	2,975,726	15	1,974,061	12
<b>Total current liabilities</b>		<b>5,417,482</b>	<b>27</b>	<b>3,222,293</b>	<b>19</b>
<b>Non-current liabilities</b>					
Bonds payable	6(12)	1,162,846	6	345,694	2
Non-current portion of long-term borrowings	6(13) and 8	2,227,015	11	2,312,500	15
Deferred tax liabilities	6(25)	37,146	-	37,146	-
Non-current lease liabilities		13,953	-	-	-
Other non-current liabilities	6(7)(14)	205,148	1	199,156	2
<b>Total non-current liabilities</b>		<b>3,646,108</b>	<b>18</b>	<b>2,894,496</b>	<b>19</b>
<b>Total liabilities</b>		<b>9,063,590</b>	<b>45</b>	<b>6,116,789</b>	<b>38</b>
<b>Equity</b>					
<b>Share capital</b>					
Ordinary share	6(15)	4,206,834	21	3,899,558	25
<b>Capital surplus</b>					
Capital surplus	6(16)	923,672	4	811,273	6
<b>Retained earnings</b>					
Legal reserve	6(17)	1,218,457	6	1,102,926	7
Special reserve		48,273	-	44,787	-
Unappropriated retained earnings		4,822,385	24	4,018,366	25
<b>Other equity interest</b>					
Other equity interest	6(18)	34,033	-	(48,274)	(1)
<b>Total equity</b>		<b>11,253,654</b>	<b>55</b>	<b>9,828,636</b>	<b>62</b>
<b>Significant contingent liabilities and unrecognized contract commitments</b>					
<b>Significant subsequent events</b>					
<b>Total liabilities and equity</b>	11	<b>\$ 20,317,244</b>	<b>100</b>	<b>\$ 15,945,425</b>	<b>100</b>

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

**SIGURD MICROELECTRONICS CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

Items	Notes	Years ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
<b>Operating revenue</b>	6(19) and 7	\$ 6,130,926	100	\$ 5,874,100	100
<b>Operating costs</b>	6(6)(23)(24)	( 4,319,172)	( 70)	( 4,204,039)	( 72)
<b>Gross profit from operations</b>		1,811,754	30	1,670,061	28
<b>Gross profit from operations</b>		1,811,754	30	1,670,061	28
<b>Operating expenses</b>	6(23)(24)				
Selling expenses		( 86,013)	( 2)	( 88,009)	( 1)
General and administrative expenses		( 256,879)	( 4)	( 256,416)	( 4)
Research and development expenses		( 253,114)	( 4)	( 269,711)	( 5)
<b>Total operating expenses</b>		( 596,006)	( 10)	( 614,136)	( 10)
<b>Operating profit</b>		1,215,748	20	1,055,925	18
<b>Non-operating income and losses</b>					
Other income	6(20)	66,948	1	44,686	1
Other gains and losses	6(21)	( 6,769)	-	62,241	1
Finance costs	6(22)	( 59,492)	( 1)	( 54,270)	( 1)
Share of profit of subsidiaries and associates and joint ventures accounted for under equity method, net	6(7)	359,684	6	309,826	5
<b>Total non-operating income and losses</b>		360,371	6	362,483	6
<b>Profit before income tax</b>		1,576,119	26	1,418,408	24
Income tax expense	6(25)	( 281,599)	( 5)	( 263,101)	( 5)
<b>Profit for the year</b>		\$ 1,294,520	21	\$ 1,155,307	19
<b>Other comprehensive (loss) income</b>					
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>	6(3)(14)(18)				
Losses on remeasurements of defined benefit plans		(\$ 10,428)	-	(\$ 11,028)	-
Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income		175,607	3	4,810	-
<b>Components of other comprehensive income(loss) that will not be reclassified to profit or loss</b>		165,179	3	( 6,218)	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	6(18)				
Exchange differences on translation		( 50,780)	( 1)	54,147	1
<b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>		( 50,780)	( 1)	54,147	1
<b>Total comprehensive income for the year</b>		\$ 1,408,919	23	\$ 1,203,236	20
<b>Basic earnings per share</b>	6(26)				
Basic earnings per share		\$	3.26	\$	3.01
<b>Diluted earnings per share</b>	6(26)				
Diluted earnings per share		\$	3.16	\$	2.88

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

**SIGURD MICROELECTRONICS CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Retained Earnings					Other Equity Interest				Total Equity
		Ordinary Share	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) From Financial Assets Measured at Fair Value through Other Comprehensive Income	Unrealized Gains (Losses) On Available-for-Sale Financial Assets	Treasury Shares	
<b>2018</b>											
Balance at January 1, 2018		\$ 3,600,162	\$ 304,475	\$ 1,003,990	\$ 12,612	\$ 3,581,788	(\$ 10,066 )	\$ -	(\$ 34,722 )	(\$ 34,594 )	\$ 8,423,645
Effect of retrospective application of new standards	6(18)	-	-	-	-	126,409	-	( 97,165 )	34,722	-	63,966
Balance at 1 January after adjustments		<u>3,600,162</u>	<u>304,475</u>	<u>1,003,990</u>	<u>12,612</u>	<u>3,708,197</u>	<u>( 10,066 )</u>	<u>( 97,165 )</u>	<u>-</u>	<u>( 34,594 )</u>	<u>8,487,611</u>
Profit for the year		-	-	-	-	1,155,307	-	-	-	-	1,155,307
Other comprehensive (loss) income for the year	6(18)	-	-	-	-	( 11,028 )	54,147	4,810	-	-	47,929
Total comprehensive (loss) income		-	-	-	-	<u>1,144,279</u>	<u>54,147</u>	<u>4,810</u>	<u>-</u>	<u>-</u>	<u>1,203,236</u>
Distribution of 2017 earnings:	6(17)										
Legal reserve		-	-	98,936	-	( 98,936 )	-	-	-	-	-
Special reserve		-	-	-	32,175	( 32,175 )	-	-	-	-	-
Cash dividends		-	-	-	-	( 685,275 )	-	-	-	-	( 685,275 )
Conversion of corporate bond	6(12)(15)(16)	313,396	509,668	-	-	-	-	-	-	-	823,064
Write off of treasury stock	6(15)(16)	( 14,000 )	( 2,870 )	-	-	( 17,724 )	-	-	-	34,594	-
Balance at December 31, 2018		<u>\$ 3,899,558</u>	<u>\$ 811,273</u>	<u>\$ 1,102,926</u>	<u>\$ 44,787</u>	<u>\$ 4,018,366</u>	<u>\$ 44,081</u>	<u>(\$ 92,355 )</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,828,636</u>
<b>2019</b>											
Balance at January 1, 2019		\$ 3,899,558	\$ 811,273	\$ 1,102,926	\$ 44,787	\$ 4,018,366	\$ 44,081	(\$ 92,355 )	\$ -	\$ -	\$ 9,828,636
Profit for the year		-	-	-	-	1,294,520	-	-	-	-	1,294,520
Other comprehensive (loss) income for the year	6(18)	-	-	-	-	( 10,428 )	( 50,780 )	175,607	-	-	114,399
Total comprehensive (loss) income		-	-	-	-	<u>1,284,092</u>	<u>( 50,780 )</u>	<u>175,607</u>	<u>-</u>	<u>-</u>	<u>1,408,919</u>
Distribution of 2018 earnings:	6(17)										
Legal reserve		-	-	115,531	-	( 115,531 )	-	-	-	-	-
Special reserve		-	-	-	3,486	( 3,486 )	-	-	-	-	-
Cash dividends		-	-	-	-	( 403,576 )	-	-	-	-	( 403,576 )
Cash dividends distribution from capital surplus	6(16)(17)	-	( 403,576 )	-	-	-	-	-	-	-	( 403,576 )
Proceeds from issuing bonds	6(16)	-	43,697	-	-	-	-	-	-	-	43,697
Conversion of corporate bonds	6(15)(16)	137,276	191,778	-	-	-	-	-	-	-	329,054
Cash capital increase	6(15)(16)	170,000	280,500	-	-	-	-	-	-	-	450,500
Disposal of equity instruments at fair value through other comprehensive income	6(3)(18)	-	-	-	-	42,520	-	( 42,520 )	-	-	-
Balance at December 31, 2019		<u>\$ 4,206,834</u>	<u>\$ 923,672</u>	<u>\$ 1,218,457</u>	<u>\$ 48,273</u>	<u>\$ 4,822,385</u>	<u>(\$ 6,699 )</u>	<u>\$ 40,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,253,654</u>

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

SIGURD MICROELECTRONICS CORPORATION  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31,	
		2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,576,119	\$ 1,418,408
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(23)	1,593,980	1,488,906
Amortization	6(23)	15,918	9,403
Net (profit) loss on financial assets at fair value	6(2)(21)	( 8,020 )	7,889
Interest expense	6(22)	59,492	54,270
Interest income	6(20)	( 26,571 )	( 19,232 )
Dividend income	6(20)	( 9,119 )	( 157 )
Share of profit of long-term equity investment	6(7)	( 359,684 )	( 309,826 )
Gain on disposal of property, plant and	6(21)	( 45,336 )	( 29,777 )
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through		( 171,006 )	( 57,594 )
Contract assets		( 19,553 )	( 21,571 )
Accounts receivable		( 223,838 )	( 111,969 )
Accounts receivable - related parties		3,522	( 3,035 )
Other receivables		( 21,857 )	11,400
Other receivables - related parties		2,834	( 3,304 )
Inventories		9,141	239
Prepayments		( 74,771 )	19,492
Other current assets		( 919 )	( 2,607 )
Changes in operating liabilities			
Contract liabilities		( 412 )	( 93 )
Notes payable		800	-
Accounts payable		19,965	10,799
Other payables		173,900	53,340
Other payables - related parties		9,261	( 1,379 )
Other current liabilities		30,933	15,562
Defined benefit liabilities		( 525 )	( 228 )
Cash inflow generated from operations		2,534,254	2,528,936
Interest received		29,246	18,970
Dividend received		129,419	136,497
Interest paid		( 58,951 )	( 54,668 )
Income tax paid		( 296,362 )	( 156,466 )
Net cash flows from operating activities		2,337,606	2,473,269

(Continued)

SIGURD MICROELECTRONICS CORPORATION  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31,	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortized cost		(\$ 2,308,480)	(\$ 150,000)
Proceeds from disposal of financial assets at		1,328,480	-
Acquisition of financial assets at fair value through		( 30,000)	-
Proceeds from disposal of financial assets at fair	6(3)	239,280	-
Acquisition of investments accounted for using	6(7)	( 875,550)	-
Proceeds from capital reduction of investee		-	137,117
Acquisition of property, plant and equipment	6(28)	( 2,625,626)	( 1,970,543)
Proceeds from disposal of property, plant and		52,941	40,483
Acquisition of intangible assets		( 12,461)	( 21,267)
Decrease in refundable deposits		1,012	1,590
Net cash flows used in investing activities		( 4,230,404)	( 1,962,620)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings	6(29)	537,038	( 296,606)
Proceeds from issuance of convertible bonds	6(29)	1,203,165	-
Proceeds from long-term borrowings	6(29)	10,287,937	5,150,000
Repayment of long-term borrowings	6(29)	( 9,421,800)	( 4,464,000)
Repayments of principal portion of lease liabilities	6(29)	( 23,279)	-
Payments of cash dividends	6(17)	( 403,576)	( 685,275)
Cash distribution from capital surplus	6(16)(17)	( 403,576)	-
Increase in guarantee deposits received	6(29)	911	-
Decrease in guarantee deposits received	6(29)	( 1,250)	( 1,575)
Proceeds from issuance of share capital	6(15)(16)	450,500	-
Net cash flows from (used in) financing		2,226,070	( 297,456)
Net increase in cash and cash equivalents		333,272	213,193
Cash and cash equivalents at beginning of year	6(1)	2,518,994	2,305,801
Cash and cash equivalents at end of year	6(1)	\$ 2,852,266	\$ 2,518,994

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

SIGURD MICROELECTRONICS CORPORATION.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS  
OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Sigurd Microelectronics Corporation (formerly named More Power Electronic Co., Ltd.; hereafter “the Company”) was established in the Republic of China (R.O.C.) on December 15, 1988. In 1998, the Company acquired, Sigurd Corporation, via assets purchase (the acquired company was liquidated and dissolved after the merger), in order to expand and provide unified packaging and testing services to customers. The name of the Company was changed to Sigurd microelectronics Corporation on November 27, 1998. The main business items of the Company and its subsidiaries include the design, processing, testing, burn-in treatment, manufacture, trading, etc., of integrated circuits.

On February 11, 2004, the Company’s Board of Directors resolved to acquire Ucomm Caesar Technology Co., Ltd, whose main business was RF testing. This Company is the surviving company and Ucomm Caesar Technology Co., Ltd. is the dissolved company. After the merger, the Company’s name “Sigurd Microelectronics Corporation” was retained. The effective date for the mergers and acquisitions (M&A) transaction was March 1, 2005.

On December 30, 2005, the Company’s Board of Directors resolved to acquire ASI Semiconductor Co., Ltd, whose main business was integrated circuit testing. This Company is the surviving company and ASI Semiconductor Co., Ltd. is the dissolved company. After the merger, the Company’s name “Sigurd Microelectronics Corporation” was retained. The effective date for the M&A transaction June 12, 2006.

On May 8, 2013, the Company Board of Directors resolved to acquire Meicer Semiconductor Co., Ltd, whose main business was integrated circuit packaging. This Company is the surviving company. The effective date for the M&A transaction was May 31, 2013.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 10, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting

Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

A. IFRS 16, ‘Leases’

- (a) IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognize a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- (b) The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by FSC (collectively reserved hereafter as the “IFRSs”). Accordingly, The Company increased ‘right-of-use asset’ by \$13,639, increased ‘lease liability’ by \$13,639 with respect to the lease contracts of lessees on January 1, 2019.
- (c) The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
  - i. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
  - ii. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - iii. The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$42,916 was recognized in the year

2019.

- iv. The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
- v. The use of hindsight in determining the lease term where the contract contains options to extend the lease.

(d) The Company calculated the present value of lease liabilities by using the incremental borrowing interest rate, 2.8321%.

(e) The Company recognized lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$	56,533
Less: Short-term leases	(	42,916)
Add/Less: Adjustments as a result of a different treatment of extension and termination options		478
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	\$	14,095
Incremental borrowing interest rate at the date of initial application		2.8321%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$	13,639

(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 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendment to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020

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:

New Standards, Interpretations and Amendments	Effective date by IASB
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 IASB
IFRS 17, ‘Insurance contracts’	January 1, 2021

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 consolidated financial statements are the first consolidated financial statements prepared by the Company in accordance with IFRSs.

##### (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.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets present value of defined benefit obligation.

B. The preparation of financial statements in conformity with 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

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). 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 recognized 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 recognized 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 recognized 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 recognized 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 based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

#### B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet; and
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (c) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the

balance sheet date.

(4)Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets:

- (a) Assets arising from operating activities that are expected to be realized, 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 realized within twelve months from the balance sheet date;
- (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.

The Company classifies the assets which do not meet the above criteria as non-current assets.

B. Liabilities that meet one of the following criteria are classified as 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;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than 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.

The Company classifies the liabilities which do not meet the above criteria as non-current liabilities.

(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 amortized 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 recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the

transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

- D. The Company recognizes 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 recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

- (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and

- (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 fair value through other comprehensive income are recognized and derecognized 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:

- (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized 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.

- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(8) Financial assets at amortized cost

- A. Financial assets at amortized 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 amortized cost are recognized and derecognized 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 recognized in profit or loss when the asset is derecognized or impaired.

- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(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 debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive 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.
- C. The contractual rights to receive cash flows of the financial asset have been transferred, however, the Company has not retained control of the financial asset.

(12) Inventories

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

(13) Investments accounted for using equity method/subsidiaries

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized profit (loss) occurred from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.
- D. If changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognized in equity.
- E. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the parent company only financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the parent company only financial statements.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost 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 balance sheet date. 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	50 ~ 60 years
Machinery and equipment	1 ~ 8 years
Office equipment	3 ~ 5 years
Others equipment	1 ~ 8 years

(15) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognized 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 recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise 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 initial direct costs incurred by the lessee.

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 recognized as an adjustment to the right-of-use asset.

(16) Operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(17) Intangible assets

Expertise, patent and computer software expenditures are stated at historical cost, and are amortized on a straight-line basis over its estimated useful life of 1 to 3 years.

(18) 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

recognized 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 recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(19) Borrowings

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

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(20) 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.

(21) Convertible bonds payable

Convertible bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- (a) The host contracts of bonds are initially recognized at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortized in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- (b) The embedded conversion options which meet the definition of an equity instrument are initially recognized in 'capital surplus—share options' at the residual amount of total issue price less the

amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

- (c) Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- (d) When bondholders exercise conversion options, the liability component of the bonds (including bonds payable) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

## (22) Employee benefits

### A. 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 recognized as expense in that period when the employees render service.

### B. Pensions

#### (a) Defined contribution plans

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

#### (b) Defined benefit plans

- 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 with the Company in current period or prior periods. The liability recognized 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.
- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

### C. Termination benefit

The termination benefit shall be provided when an employee is terminated prior to the retirement date or when an employee has decided to accept the Company's benefit invitation in exchange for employment termination. The Company shall recognize the expense when it is no longer able to revoke the termination benefit offer or during the first recognition of relevant reorganization costs, whichever is earlier. Benefits that are not expected to be fully settled 12 months after the balance sheet date shall be discounted.

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

Employees' compensation and directors' and supervisors' remuneration 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.

(23) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized 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 recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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, 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 realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized 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 recognized amounts and there is an intention to settle on a net basis or realize 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 realize the asset and settle the liability simultaneously.

(25) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stocks dividends to be distributed and are reclassified to ordinary shares on the effective date of new stock issuance.

(27)Revenue recognition

Labor Income

- A. The Company provides the services of research and design, engineering and testing of integrated circuits. If (a) compliance with the enterprise enables the client to simultaneously obtain and consume the benefits provided by the enterprise, (b) the performance of the enterprise creates or strengthens an asset and the performance process is controlled by the customer, or (c) the performance of the enterprise is not creating assets for other purposes, and if any of the conditions for the execution of the funds to date have any enforceable rights; the enterprise shall gradually shift the control over the goods or services over time, thus gradually fulfilling the performance obligations and recognizing the income over time. The testing and packaging services provided by the Company are in compliance with the (b) condition above, and shall be gradually recognized as income over time, and recognized as income via the performance obligation completion measurement procedure.
- B. Since the time interval between the transfer of the promised goods or services to the customer and payment by the customer has not exceeded one year, the Company has not adjusted the transaction price to reflect the time value of money.

5.CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the 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; and the related information is addressed below:

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

None.

(2)Critical accounting estimates and assumptions:

None.

6.DETAILS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 510	\$ 519
Checking accounts and demand deposits	873,116	786,210
Time deposits	1,978,640	1,732,265
Total	<u>\$ 2,852,266</u>	<u>\$ 2,518,994</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 has no cash and cash equivalents pledged to others.

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

Items	December 31, 2019	December 31, 2018
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 2,411	\$ 2,708
Beneficiary certificate	175,113	95,000
Corporate bonds	122,732	31,522
Convertible bonds	40,290	40,290
	<u>340,546</u>	<u>169,520</u>
Valuation Adjustment	( 2,539)	( 10,539)
Total	<u>\$ 338,007</u>	<u>\$ 158,981</u>

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

Items	Years ended December 31	
	2019	2018
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 481	(\$ 523)
Beneficiary certificate	8,191	( 7,632)
Corporate bonds	( 1,595)	345
Convertible bonds	943	( 79)
	<u>\$ 8,020</u>	<u>(\$ 7,889)</u>

B. Information relating to credit risk of financial asset at fair value through profit or loss is provided in Notes 12(2) and (3).

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

Items	December 31, 2019	December 31, 2018
Non-current items:		
Equity instruments		
Listed stocks	\$ 90,000	\$ 60,000
Unlisted stocks	360,640	560,640
	<u>450,640</u>	<u>620,640</u>
Valuation adjustment	45,093	( 89,765)
	<u>\$ 495,733</u>	<u>\$ 530,875</u>

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 \$495,733 and \$530,875 as at December 31, 2019 and 2018,

respectively.

B. Aiming to satisfy the demand of capital expenditure, The Company sold \$239,280 of unlisted stocks at fair value and resulted in cumulative gains of \$39,280 on disposal during the year ended December 31, 2019.

C. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Years ended December 31,	
	2019	2018
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 174,138	\$ 4,810
Cumulative gains reclassified to retained earnings due to derecognition	(\$ 39,280)	\$ -
Dividend income recognized in profit or loss		
Held at end of year	\$ 9,000	\$ -

D. As at December 31, 2019 and 2018, 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 financial assets at fair value through other comprehensive income held by the Company was \$495,733 and \$530,875, respectively.

E. Information relating to price risk and fair value of financial assets at fair value through other comprehensive income is provided in Notes 12(2) and (3).

(4) Financial assets at amortized cost

Items	December 31, 2019	December 31, 2018
Current items:		
Time deposits	\$ 1,728,480	\$ 778,480
Non-current items:		
Corporate bonds	\$ 300,000	\$ -

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	2019	2018
Interest income	\$ 5,260	\$ 3,987

B. As of December 31, 2019 and 2018, 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 financial assets at amortized cost held by the Company was \$213,418 and \$4,810 respectively.

C. There is no financial assets at amortized cost pledged to others as collateral by the Company.

D. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2).

(5) Accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable	\$ 1,653,258	\$ 1,429,420
Accounts receivable - related parties	<u>6,436</u>	<u>9,958</u>
	1,659,694	1,439,378
Less: Loss allowance	( 3,552)	( 3,552)
	<u>\$ 1,656,142</u>	<u>\$ 1,435,826</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 1,632,365	\$ 1,302,037
Up to 30 days	21,627	133,789
31 to 90 days	126	-
91 to 180 days	2,024	-
Over 181 days	<u>3,552</u>	<u>3,552</u>
	<u>\$ 1,659,694</u>	<u>\$ 1,439,378</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to \$1,320,821.
- C. As at December 31, 2019 and 2018, 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 accounts receivable were \$1,656,142 and \$1,435,826, respectively.
- D. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2019		
	Costs	Allowance for bad debt loss	Carrying Amount
Raw materials	\$ 43,225	(\$ 5,093)	\$ 38,132
Supplies	17,927	-	17,927
Work in progress	4,613	( 454)	4,159
Finished goods	536	-	536
Total	<u>\$ 66,301</u>	<u>(\$ 5,547)</u>	<u>\$ 60,754</u>

	December 31, 2018		
	Costs	Allowance for bad debt loss	Carrying Amount
Raw materials	\$ 57,955	(\$ 4,875)	\$ 53,080
Supplies	15,069	-	15,069
Work in progress	2,053	( 454)	1,599
Finished goods	147	-	147
Total	<u>\$ 75,224</u>	<u>(\$ 5,329)</u>	<u>\$ 69,895</u>

The cost of inventories recognized as expense for the years:

	Year ended December 31, 2019	Year ended December 31, 2018
Cost of goods used	\$ 4,321,925	\$ 4,209,206
Loss (gain) on (recovery of) market price decline	218	( 903)
Revenue from sale of scraps	( 2,971)	( 4,264)
Total	<u>\$ 4,319,172</u>	<u>\$ 4,204,039</u>

The Company recognized gain on reversal of market price decline for the year ended December 31, 2018 because some of the inventories previously written down were used or sold.

(7) Investments accounted for using equity method

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries:		
Sigurd International Co., Ltd.	\$ 166,871	\$ 154,408
Burgurd Co., Ltd.	( 40,434)	( 38,358)
TEST-SERV Inc.	1,265,115	1,269,394
Bloomeria Limited	2,501,759	2,262,978
Flusol Co., Ltd	716,783	-
AMBERSAN Medical Technology Co., Ltd.	17,792	-
FLATEK, INC.	80,511	-
	<u>4,708,397</u>	<u>3,648,422</u>
Add: Burgurd Co., Ltd. (shown as "Other non-current liabilities")	40,434	38,358
	<u>\$ 4,748,831</u>	<u>\$ 3,686,780</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries:		
Sigurd International Co., Ltd.	\$ 396	\$ 2,893
Burgurd Co., Ltd.	( 2,076)	( 5,641)
TEST-SERV Inc.	117,204	122,804
Bloomeria Limited	290,253	\$ 189,770
AMBERSAN Medical Technology Co., Ltd.	( 358)	-
Flusol Co., Ltd	( 23,881)	-
FLATEK, INC.	( 21,854)	-
	<u>\$ 359,684</u>	<u>\$ 309,826</u>

- A. Details of the Company's subsidiaries are provided in Note 4(3) in the Company's 2019 consolidated financial statements.
- B. The Company's subsidiary Sigurd Microelectronics (Cayman) Co., Ltd. decreased its capital by returning US\$4,699,957(\$137,117) to Sigurd International Co., Ltd. Sigurd International Co., Ltd. also returned it to the Company by cash.
- C. AMBERSAN medical technology Co., Ltd. was established on September 19, 2019. The Company invested \$18,150 to obtain its 55% shareholding.
- D. On September 6, 2019, the Company completed the acquisition of 58.77% shareholding of Flatek, Inc, amounting for \$100,000 in cash.

E. Flusol Co., Ltd, a foreign subsidiary originally wholly-owned by Sigurd International Co., Ltd, increased its capital by cash, amounting to USD\$45,000. The company has made the investment directly by remitting USD\$ 25,000 (\$757,400) as Flusol Co., Ltd.'s capital. As of December 31, 2019. The Company held 96.66% of Flusol Co., Ltd.'s shareholding ownership.

**(8) property plant and equipment**

	2019						
	Land	Buildings and structure	Machinery	Office equipment	Others	Construction in progress	Total
At January 1							
Cost	\$ 510,012	\$ 1,343,082	\$ 7,423,592	\$ 125,299	\$ 940,342	\$ 498,575	\$ 10,840,902
Accumulated depreciation and impairment	-	( 227,726)	( 3,697,441)	( 74,233)	( 373,713)	-	( 4,373,113)
	<u>\$ 510,012</u>	<u>\$ 1,115,356</u>	<u>\$ 3,726,151</u>	<u>\$ 51,066</u>	<u>\$ 566,629</u>	<u>\$ 498,575</u>	<u>\$ 6,467,789</u>
<u>2019</u>							
At January 1	\$ 510,012	\$ 1,115,356	\$ 3,726,151	\$ 51,066	\$ 566,629	\$ 498,575	\$ 6,467,789
Additions	-	-	2,272,147	44,686	105,112	645,288	3,067,233
Disposals	-	-	( 7,605)	-	-	-	( 7,605)
Reclassifications (Note)	-	-	468,349	-	-	( 469,429)	( 1,080)
Depreciation	-	( 26,045)	( 1,386,033)	( 37,711)	( 119,522)	-	( 1,569,311)
Closing net book amount	<u>\$ 510,012</u>	<u>\$ 1,089,311</u>	<u>\$ 5,073,009</u>	<u>\$ 58,041</u>	<u>\$ 552,219</u>	<u>\$ 674,434</u>	<u>\$ 7,957,026</u>
At December 31, 2019							
Cost	\$ 510,012	\$ 1,343,082	\$ 8,881,269	\$ 111,366	\$ 958,836	\$ 674,434	\$ 12,478,999
Accumulated depreciation and impairment	-	( 253,771)	( 3,808,260)	( 53,325)	( 406,617)	-	( 4,521,973)
	<u>\$ 510,012</u>	<u>\$ 1,089,311</u>	<u>\$ 5,073,009</u>	<u>\$ 58,041</u>	<u>\$ 552,219</u>	<u>\$ 674,434</u>	<u>\$ 7,957,026</u>
	2018						
	Land	Buildings and structure	Machinery	Office equipment	Others	Construction in progress	Total
At January 1							
Cost	\$ 510,012	\$ 1,343,082	\$ 6,781,972	\$ 110,877	\$ 861,793	\$ 234,825	\$ 9,842,561
Accumulated depreciation and impairment	-	( 201,682)	( 3,342,988)	( 50,660)	( 304,065)	-	( 3,899,395)
	<u>\$ 510,012</u>	<u>\$ 1,141,400</u>	<u>\$ 3,438,984</u>	<u>\$ 60,217</u>	<u>\$ 557,728</u>	<u>\$ 234,825</u>	<u>\$ 5,943,166</u>
<u>2018</u>							
At January 1	\$ 510,012	\$ 1,141,400	\$ 3,438,984	\$ 60,217	\$ 557,728	\$ 234,825	\$ 5,943,166
Additions	-	-	1,465,305	30,015	47,052	481,863	2,024,235
Disposals	-	-	( 10,706)	-	-	-	( 10,706)
Reclassifications (Note)	-	-	137,113	-	81,000	( 218,113)	-
Depreciation	-	( 26,044)	( 1,304,545)	( 39,166)	( 119,151)	-	( 1,488,906)
Closing net book amount	<u>\$ 510,012</u>	<u>\$ 1,115,356</u>	<u>\$ 3,726,151</u>	<u>\$ 51,066</u>	<u>\$ 566,629</u>	<u>\$ 498,575</u>	<u>\$ 6,467,789</u>
At December 31, 2018							
Cost	\$ 510,012	\$ 1,343,082	\$ 7,423,592	\$ 125,299	\$ 940,342	\$ 498,575	\$ 10,840,902
Accumulated depreciation and impairment	-	( 227,726)	( 3,697,441)	( 74,233)	( 373,713)	-	( 4,373,113)
	<u>\$ 510,012</u>	<u>\$ 1,115,356</u>	<u>\$ 3,726,151</u>	<u>\$ 51,066</u>	<u>\$ 566,629</u>	<u>\$ 498,575</u>	<u>\$ 6,467,789</u>

- A. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Amount capitalized	\$ 13,484	\$ 12,486
Range of the interest rates for capitalization	1.06%~1.18%	1.37~1.57%

- B. The significant components of buildings and structures include buildings, lab and facility equipment, which are depreciated over 50 and 60 years, respectively.
- C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- D. As of December 31, 2019 and 2018, the area of the land held by the Company was both 43,207 square meters, of which 11,524 square meters was a farming and grazing land held in the name of others. The Company has obtained the mortgage set by the landowner to secure the Company's right on the untransferred part of the land.

(9) Leasing arrangements – lessee

Effective 2019

- A. The Company leases various assets including buildings, machinery and transportation equipment. Rental contracts are typically made for periods of 1 to 10 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 used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Year ended December December 31, 2019	Year ended December 31, 2019
	Carrying amount	Depreciation charge
Buildings	\$ 946	\$ 805
Machinery and equipment	20,137	18,970
Transportation equipment (Business vehicles)	11,492	4,894
	<u>\$ 32,575</u>	<u>\$ 24,669</u>

- C. For the year ended December 31, 2019, the additions to right-of-use assets was \$43,605.
- D. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2019
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 1,348
Expense on short-term lease contracts	113,855

E. For the year ended December 31, 2019, the Company's total cash outflow for leases was \$130,006.

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured borrowings	<u>\$ 571,242</u>	2.53%~3.01%	None

<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Secured borrowings	<u>\$ 34,204</u>	3.57%~3.65%	Land · Building and Machinery Equipment

(11) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accrued salaries and bonuses	\$ 281,792	\$ 282,976
Accrued employees' compensation and directors' remuneration	178,500	158,500
Payables for equipment and construction	578,497	136,890
Others	<u>500,765</u>	<u>351,812</u>
	<u>\$ 1,539,554</u>	<u>\$ 930,178</u>

(12) Bonds payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bonds payable	\$ 2,400,000	\$ 1,200,000
Less: Bonds converted	( 1,180,000)	( 848,600)
Less: Discount on bonds payable	<u>( 37,219)</u>	<u>( 5,706)</u>
	1,182,781	345,694
Less: Current portion (shown as "other current liabilities")	<u>( 19,935)</u>	<u>-</u>
	<u>\$ 1,162,846</u>	<u>\$ 345,694</u>

A. To raise the capital for acquiring machinery equipment, the Board of Directors of the Company resolved to issue the 2nd unsecured convertible bonds on March 8, 2017, which had been approved by the FSC. The aforementioned unsecured convertible bonds were priced on April 14, 2017 and were issued on April 24, 2017. The major terms of issuance are as follows:

- (a) Issue amount: Issued at 100.5% of par value; \$100. The units for this offering were 12,000, which in aggressive offering amount was \$1,206,000.
- (b) Issuance period: Three years; issued on April 24, 2017 and expires on April 24, 2020.

- (c) Bonds rate and principal payment method: The coupon rate is 0% per annum. Except for converting the corporate bond into the Company's ordinary share by the holder or redemption and written off by the Company through a securities firm, the Company shall repay the nominal amount of the bonds via cash in one lump sum at the time of maturity.
  - (d) Conversion period: Except for exercising the right to transfer, provided by the law, or due to a transfer suspension period stipulated in a contract (if any); the corporate bonds held by the Company shall be converted into ordinary shares of the Company from three months after the bond issuance by the Company (July 25, 2017) until the maturity date (April 24, 2020).
  - (e) Conversion price and its adjustment: The conversion price at the time of issue is set at NT\$28.70 per share. However, in case of ex-dividends or ex-rights after the issuance of the Company's bonds, the closing price used to calculate the conversion price shall first be calculated as the price after ex-rights or ex-dividends. The conversion price is determined after the actual issue date. In case of ex-dividend or ex-rights, it should be adjusted according to the conversion price adjustment formula. Because the Company has issued the cash dividends according to the provisions of the issuance and conversion method, the conversion price should be adjusted. The conversion price was adjusted from \$28.7 to \$27 starting August 13, 2017; and the conversion price was adjusted from \$27 to \$25.8 on July 15, 2018; and the conversion price was adjusted from \$25.8 to \$24 on July 21, 2019; and the conversion price was adjusted from \$24 to \$23.7 on November 15, 2019.
  - (f) The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
  - (g) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$47,428 were separated from the liability component and were recognized in 'capital surplus—share options' in accordance with IAS 32.
- C. As of December 31, 2019, the bonds totaling \$1,180,000 (face value) had been converted into 45,196,858 shares of common stock.
- D. To raise the capital for acquiring machinery equipment, the Board of Directors of the Company resolved to issue the 3rd unsecured convertible bonds on August 7, 2019, which had been approved by the FSC. The aforementioned unsecured convertible bonds were priced on October 3, 2019 and were issued on October 15, 2019. The major terms of issuance are as follows:
- (a) Issue amount: Issued at 100.5% of par value; \$100. The units for this offering were 12,000, which in aggressive offering amount was \$1,206,000.

- (b) Issue period: Three years, issued on October 15, 2019 and expires on October 15, 2022.
  - (c) Bonds rate and principal payment method. The bond rate is 0%, except the bondholders have the right to ask for conversion of the bonds into common shares or redeemed, will be redeemed in cash at face value at the maturity date.
  - (d) Conversion period: Except for exercising the right to transfer, provided by the law, or due to a transfer suspension period stipulated in a contract (if any); the corporate bonds held by the Company shall be converted into ordinary shares of the Company from three months after the bond issuance by the Company (January 16, 2020) until the maturity date (January 15, 2022).
  - (e) Conversion price and its adjustment: The conversion price at the time of issue is set at NT\$37 per share. However, in case of ex-dividends or ex-rights after the issuance of the Company's bonds, the closing price used to calculate the conversion price shall first be calculated as the price after ex-rights or ex-dividends. The conversion price is determined after the actual issue date. In case of ex-dividend or ex-rights, it should be adjusted according to the conversion price adjustment formula. Because the Company has issued the cash dividends according to the provisions of the issuance and conversion method, the conversion price should be adjusted. The conversion price was adjusted from \$37 to \$36.6 starting November 15, 2019.
  - (f) The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
  - (g) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- E. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$43,697 were separated from the liability component and were recognized in 'capital surplus—share options' in accordance with IAS 32.

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Long-term bank borrowings				
Credit borrowings	Borrowing period is from March 27, 2017 to September 15, 2023; principal and interest are repayable by contracts	1.20%~1.35%	None	\$ 4,275,700
Secured borrowings	Borrowing period is from July 18, 2019 to September 26, 2024; principal and interest are repayable by contracts	1.20%~2.85%	Property, plant and equipment	<u>847,937</u>
				5,123,637
Less: Current portion				<u>( 2,896,622)</u>
				<u>\$ 2,227,015</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2018</u>
Long-term bank borrowings				
Credit borrowings	Borrowing period is from May 25, 2016 to September 15, 2023; principal and interest are repayable by contracts	1.24%~1.441%	None	\$ 3,757,500
Secured borrowings	Borrowing period is from April 27, 2016 to September 25, 2020; principal and interest are repayable by contracts	1.3116% and 1.3118%	Property, plant and equipment	<u>500,000</u>
				4,257,500
Less: Current portion				<u>( 1,945,000)</u>
				<u>\$ 2,312,500</u>

(14) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, 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 Act. 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 contributes 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 recognized in the balance sheet are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	(\$ 250,611)	(\$ 240,169)
Fair value of plan assets	<u>94,057</u>	<u>87,870</u>
Net defined benefit liability	<u>(\$ 156,554)</u>	<u>(\$ 152,299)</u>

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

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 240,169)	\$ 87,870	(\$ 152,299)
Current service cost	( 1,491)	-	( 1,491)
Interest (expense) income	( 3,362)	1,259	( 2,103)
	<u>(\$ 245,022)</u>	<u>\$ 89,129</u>	<u>(\$ 155,893)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,747	2,747
Change in financial assumptions	( 2,579)	-	( 2,579)
Experience adjustments	( 4,948)	-	( 4,948)
	<u>( 7,527)</u>	<u>2,747</u>	<u>( 4,780)</u>
Pension fund contribution	-	4,119	4,119
Paid pension	1,938	( 1,938)	-
At December 31	<u>(\$ 250,611)</u>	<u>\$ 94,057</u>	<u>(\$ 156,554)</u>
	2018		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 230,318)	\$ 85,198	(\$ 145,120)
Current service cost	( 1,738)	-	( 1,738)
Interest (expense) income	( 3,455)	1,309	( 2,146)
	<u>( 235,511)</u>	<u>86,507</u>	<u>( 149,004)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,276	2,276
Change in financial assumptions	( 2,663)	-	( 2,663)
Experience adjustments	( 7,020)	-	( 7,020)
	<u>( 9,683)</u>	<u>2,276</u>	<u>( 7,407)</u>
Pension fund contribution	-	4,112	4,112
Paid pension	5,025	( 5,025)	-
At December 31	<u>(\$ 240,169)</u>	<u>\$ 87,870</u>	<u>(\$ 152,299)</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 utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization 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 securitization products, etc.). With regard to the utilization 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 authorized 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 asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Discount rate	<u>1.30%</u>	<u>1.40%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in Taiwan.

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

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ <u>6,367</u> )	<u>\$ 6,640</u>	<u>\$ 27,540</u>	<u>\$ 23,811</u>
December 31, 2018				
Effect on present value of defined benefit obligation	(\$ <u>6,572</u> )	<u>\$ 6,865</u>	<u>\$ 28,572</u>	<u>\$ 24,545</u>

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

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2020 amounts to \$4,119.
- 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 defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018 were \$45,946 and \$43,241, respectively.

(15) Share capital

- A. As of December 31, 2019, the Company’s authorized capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$4,206,834 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company’s ordinary shares outstanding are as follows:

	2019	2018
At January 1	389,955,784	358,616,172
Conversion of convertible bonds	13,727,617	31,339,612
Issuance of share capital	17,000,000	-
At December 31	420,683,401	389,955,784

- B. On August 7, 2019, the Board of Directors resolved to increase cash capital by issuing 17,000 thousand ordinary shares amounting to \$170,000 with a value of \$10 (in dollars) per share with the effective date filed with the regulator on November 15, 2019.

(16) 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 capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

2019					
	Share premium	Consolidation premium	Share option	Total	
At January 1	\$ 553,255	\$ 244,129	\$ 13,889	\$ 811,273	
Issuance of convertible bonds	-	-	43,697	43,697	
Conversion of convertible bonds	204,877	-	( 13,099)	191,778	
Cash capital increase	280,500	-	-	280,500	
Capital surplus used to issue cash to shareholders	( 403,576)	-	-	( 403,576)	
At December 31	<u>\$ 635,056</u>	<u>\$ 244,129</u>	<u>\$ 44,487</u>	<u>\$ 923,672</u>	

2018						
	Share premium	Treasury share transactions	Consolidation premium	Share option	Total	
At January 1	\$ 9,919	\$ 897	\$ 244,129	\$ 49,530	\$ 304,475	
Conversion of convertible bonds	545,309	-	-	( 35,641)	509,668	
Disposal of treasury shares	( 1,973)	( 897)	-	-	( 2,870)	
At December 31	<u>\$ 553,255</u>	<u>\$ -</u>	<u>\$ 244,129</u>	<u>\$ 13,889</u>	<u>\$ 811,273</u>	

(17) Retained earnings

- A. 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. Legal reserve will not be necessary once the reserve is equal to total capital. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- The distribution of the Company's distributable earnings is made via cash dividends or stock dividends, cash dividends are given priority in terms of distributable earnings and is also distributed via stock dividends. The cash dividend distribution ratio shall not be less than 10%. The Company can propose an earnings distribution or a deficits offsetting proposal after every half of the fiscal year in accordance with Company Act. The earnings distribution in cash shall be resolved by the Board of Directors; when issuing new shares, it shall be resolved by the shareholders' meeting in accordance with regulations.

- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriations of 2018 and 2017 had been resolved at shareholders' meeting on June 13, 2019 and June 7, 2018, respectively. Details are as below:

	2018		2017	
	Amount	Dividends per share (in NT dollars)	Amount	Dividends per share (in NT dollars)
Legal reserve	\$ 115,531		\$ 98,936	
Special reserve	3,486		32,175	
Cash dividends	403,576	\$ 1.03	685,276	\$ 1.82
Total	<u>\$ 522,593</u>		<u>\$ 816,387</u>	

- E. On June 13, 2019, the stockholders resolved the distribution of capital surplus amounting to \$403,576 in cash (\$1.03 (in dollars) per share.)
- F. On March 10, 2020, the Board of Directors resolved the appropriation for 2019 to distribute cash dividends amounting to \$463,680 in cash (\$1.1 (in dollars) per share).
- G. On March 10, 2020, the Board of Directors proposed the distribution of cash capital – share premium amounting to \$463,680 in cash (\$1.1 (in dollars) per share) as the shareholders' shareholding ratio. The preceding distribution of capital surplus had not been resolved at the shareholders' meeting.
- H. Information of appropriation resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of Taiwan stock Exchange.

(18) Other equity items

	2019		
	Unrealized gains (losses) on valuation with financial assets at fair value through other comprehensive income	Currency translation	Total
At January 1	(\$ 92,355)	\$ 44,081	(\$ 48,274)
Revaluation			
– Parent company	174,138	-	174,138
– Subsidiaries	1,469	-	1,469
Revaluation transferred to retained earnings			
– Parent company	( 39,280)	-	( 39,280)
– Subsidiaries	( 3,240)	-	( 3,240)
Currency translation differences:			
– Subsidiaries	-	( 50,780)	( 50,780)
At December 31	<u>\$ 40,732</u>	<u>(\$ 6,699)</u>	<u>\$ 34,033</u>

	2018				
	Unrealised gains (losses) on valuation with financial assets at fair value through other comprehensive income	Unrealised gains (losses) on valuation with available-for-sale financial assets	Unrealised gains (losses) on valuation with available-for-sale financial income	Currency translation	Total
At January 1	\$ -	(\$ 34,722)	(\$ 10,066)	(\$ 44,788)	
Effect of retrospective application and retrospective restatement					
– Parent company	( 95,362)	34,722	-	( 60,640)	
– Subsidiaries	( 1,803)	-	-	( 1,803)	
Revaluation					
– Parent company	5,597	-	-	5,597	
– Subsidiaries	( 787)	-	-	( 787)	
Currency translation differences:					
– Subsidiaries	-	-	54,147	54,147	
At December 31	<u>(\$ 92,355)</u>	<u>\$ -</u>	<u>\$ 44,081</u>	<u>(\$ 48,274)</u>	

(19) Operating revenue

	Years ended December 31,	
	2019	2018
Revenue from contracts with customers	<u>\$ 6,130,926</u>	<u>\$ 5,874,100</u>

A. Disaggregation of the Company's services revenue from contracts with customers.

2019	Bumping and testing service revenue	Others service revenue	Total
	Revenue from contracts with customers	<u>\$ 6,130,926</u>	<u>\$ -</u>
Timing of revenue recognition			
Over time	<u>\$ 6,130,926</u>	<u>\$ -</u>	<u>\$ 6,130,926</u>
2018	Bumping and testing service revenue	Others service revenue	Total
	Revenue from contracts with customers	<u>\$ 5,874,100</u>	<u>\$ -</u>
Timing of revenue recognition			
Over time	<u>\$ 5,874,100</u>	<u>\$ -</u>	<u>\$ 5,874,100</u>

B. Contract assets and liabilities

The Company has recognized the following revenue-related contract assets and liabilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract assets:			
Contract assets			
– Bumping and testing	\$ <u>100,274</u>	\$ <u>80,721</u>	\$ <u>59,150</u>
Contract liabilities:			
Contract liabilities			
– Bumping and testing	(\$ <u>1,188</u> )	\$ <u>776</u>	\$ <u>869</u>
C. Revenue recognized that was included in the contract liability balance at the beginning of the year			

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Revenue recognized that was included in the contract liability balance at the beginning of the year		
Revenue from external customer contracts	\$ <u>126</u>	\$ <u>239</u>

(20) Other income

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Interest income :		
Interest income from bank deposits	\$ 21,311	\$ 15,245
Interest income from financial assets measured at amortised cost	5,260	3,987
Dividend income	9,119	157
Other income, others	31,258	25,297
	\$ <u>66,948</u>	\$ <u>44,686</u>

(21) Other gains and losses

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Gains on disposals of property, plant and equipment	\$ 45,336	\$ 29,777
Foreign exchange (losses) gains	( 56,175)	40,353
Gains (losses) on financial assets at fair value through profit or loss	8,020 (	7,889)
Other losses	( 3,950)	-
	(\$ <u>6,769</u> )	\$ <u>62,241</u>

(22) Finance costs

	Years ended December 31,	
	2019	2018
Interese expense:		
Bank borrowings	\$ 64,955	\$ 59,527
Bonds payable	6,673	7,229
Leased liabilities	1,348	-
Less: Capitalization of assets	(13,484)	(12,486)
	<u>\$ 59,492</u>	<u>\$ 54,270</u>

(23) Expenses by nature

	Years ended December 31,	
	2019	2018
Employee benefit expenses	\$ 1,628,507	\$ 1,575,840
Depreciation charges on property, plant and equipment	1,593,980	1,488,906
Amortization charges on intangible assets	15,918	9,403
Total	<u>\$ 3,238,405</u>	<u>\$ 3,074,149</u>

Note: Including investment property and right-of-use assets.

(24) Employee benefit expenses

	Years ended December 31,	
	2019	2018
Wages and salaries	\$ 1,388,089	\$ 1,349,992
Labor and health insurance fees	121,254	112,564
Pension costs	49,540	47,125
Other personnel expenses	69,624	66,159
	<u>\$ 1,628,507</u>	<u>\$ 1,575,840</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees 'compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 8%~12% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$153,500 and \$135,000, respectively; while directors' and supervisors' remuneration was accrued at \$25,000 and \$23,500, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 8.75% and 1.42% of distributable profit of current year for the year ended December 31, 2019.

C. Employees' compensation and directors' and supervisors' remuneration of 2018 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2018 financial statements.

D. Information about employees' compensation and directors' and supervisors' 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.

(25) Income tax

A. Income tax expense

Components of income tax expense:

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ 256,465	\$ 231,570
Tax on undistributed surplus earnings	37,405	16,845
Prior year income tax overestimation	( 848)	( 504)
Total current tax	<u>293,022</u>	<u>247,911</u>
Deferred tax:		
Origination and reversal of temporary differences	( 11,423)	12,723
Impact of change in tax rate	-	2,467
Total deferred tax	<u>( 11,423)</u>	<u>15,190</u>
Income tax expense	<u>\$ 281,599</u>	<u>\$ 263,101</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and at statutory tax rate	\$ 315,224	\$ 283,682
Expenses disallowed by tax regulation	( 72,202)	( 48,354)
Tax on undistributed earnings	37,405	16,845
Prior year income tax overestimation	( 848)	( 504)
Changes in reassessment of deferred tax assets	2,020	7,694
Effect from changes in tax regulation	-	3,738
Income tax expense	<u>\$ 281,599</u>	<u>\$ 263,101</u>

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

	2019				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					
– Deferred tax assets:					
Unrealized allowance for inventory obsolescence	\$ 1,066	\$ 43	\$ -	\$ -	\$ 1,109
Unrealized exchange loss	476	3,118	-	-	3,594
Long-term investment	6,436	-	-	-	6,436
Others	-	8,262	-	-	8,262
	<u>7,978</u>	<u>11,423</u>	<u>-</u>	<u>-</u>	<u>19,401</u>
Temporary differences:					
– Deferred tax liabilities:					
Bargain purchase gain	( 37,146)	-	-	-	( 37,146)
	<u>( 37,146)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 37,146)</u>
	<u>(\$ 29,168)</u>	<u>\$ 11,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 17,745)</u>
	2018				
	Recognized in other comprehensive income				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					
– Deferred tax assets:					
Unrealized allowance for inventory obsolescence	\$ 1,060	\$ 6	\$ -	\$ -	\$ 1,066
Unrealized exchange loss	3,157	( 2,681)	-	-	476
Long-term investment	12,018	( 5,582)	-	-	6,436
	<u>16,235</u>	<u>( 8,257)</u>	<u>-</u>	<u>-</u>	<u>7,978</u>
Temporary differences:					
– Deferred tax liabilities:					
Bargain purchase gain	( 30,213)	( 6,933)	-	-	( 37,146)
	<u>( 30,213)</u>	<u>( 6,933)</u>	<u>-</u>	<u>-</u>	<u>( 37,146)</u>
	<u>(\$ 13,978)</u>	<u>(\$ 15,190)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 29,168)</u>

D. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Deductible temporary differences	<u>\$ 10,102</u>	<u>\$ 38,470</u>

E. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

F. Under the amendments to the Income Tax Act, which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(26) Earnings per share

	<u>Year ended December 31, 2019</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 ordinary shareholders	<u>\$ 1,294,520</u>	<u>396,649</u>	<u>\$ 3.26</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	1,294,520	396,649	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	4,951	
Convertible bonds	<u>5,338</u>	<u>10,245</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,299,858</u>	<u>411,845</u>	<u>\$ 3.16</u>

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,155,307	383,757	\$ 3.01
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	1,155,307	383,757	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	5,811	
Convertible bonds	7,229	13,620	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 1,162,536	403,188	\$ 2.88

(27) Operating leases

Prior to 2019

The Company leases machinery under operating lease agreements. The lease terms are between 1~5 years, and all these lease agreements are renewable at the end of the lease period. The Company recognized rental expenses of \$106,621 in profit or loss for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018
Not later than one year	\$ 45,382
Later than one year but not later than five years	11,152
	<u>\$ 56,534</u>

(28) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	\$ 3,067,233	\$ 2,024,235
Add: Opening balance of payable on equipment	136,890	83,198
Less: Ending balance of payable on equipment	( 578,497)	( 136,890)
Cash paid during the year	<u>\$ 2,625,626</u>	<u>\$ 1,970,543</u>

B. Financing activities with no cash flow effects

	Years ended December 31,	
	2019	2018
Convertible bonds being converted to capital stocks	\$ 329,054	\$ 823,064

I. Changes in liabilities from financing activities

II.

	2019					
	Short-term borrowings	Long-term borrowings (include current portion)	Bonds payable (include current portion)	Lease liabilities	Gurantee deposits received	Total liabilities from financing activities
At January 1	\$ 34,204	\$ 4,257,500	\$ 345,694	\$ 13,639	\$ 8,499	\$ 4,659,536
Changes in cash flow from financing activities	537,038	866,137	1,203,165	( 23,279)	( 340)	2,582,721
Interest paid	-	-	-	( 1,348)	-	( 1,348)
Changes in other non-cash items:						
Interest expense	-	-	-	1,348	-	1,348
Convertible right exercise	-	-	( 329,054)	-	-	( 329,054)
Discount on bonds payable	-	-	6,673	-	-	6,673
Increase in lease liabilities	-	-	-	43,605	-	43,605
Changes in other non-cash items	-	-	( 43,697)	-	-	( 43,697)
At December 31	<u>\$ 571,242</u>	<u>\$ 5,123,637</u>	<u>\$ 1,182,781</u>	<u>\$ 33,965</u>	<u>\$ 8,159</u>	<u>\$ 6,919,784</u>

	2018				
	Short-term borrowings	Long-term borrowings (include current portion)	Bonds payable (including current portion)	Gurantee deposits received	Total liabilities from financing activities
At January 1	\$ 330,810	\$ 3,571,500	\$ 1,161,529	\$ 10,074	\$ 5,073,913
Changes in cash flow from financing activities	( 296,606)	686,000	-	( 1,575)	387,819
Changes in other non-cash items:					
Convertible right exercise	-	-	( 823,064)	-	( 823,064)
Discount on bonds payable	-	-	7,229	-	7,229
Changes in other non-cash items	-	-	-	-	-
At December 31	<u>\$ 34,204</u>	<u>\$ 4,257,500</u>	<u>\$ 345,694</u>	<u>\$ 8,499</u>	<u>\$ 4,645,897</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

Names of related parties	Relationship with the Company
TEST-SERV Inc.	The subsidiary of the Company
Burgurd Co., Ltd.	The subsidiary of the Company
Winstek Semiconductor Co., Ltd.	The subsidiary of the Company
Winstek Semiconductor Technology	The subsidiary of the Company
TPfusion Corp.	The second-tier subsidiary of the Company
Ene Technology Inc.	Board of Director

### (2) Significant related party transactions and balances

#### A. Operating revenue:

	Years ended December 31,	
	2019	2018
Sales of goods:		
Subsidiary	\$ 1,052	\$ 99
Others:		
Ene Technology Inc.	30,523	28,693
	\$ 31,575	\$ 28,792

Goods are sold based on the price lists in force and terms that would be available to third parties.

#### B. Purchases:

	Years ended December 31,	
	2019	2018
Purchases of goods:		
Subsidiary	\$ -	\$ 13,656

Goods are purchased based on the price lists in force and terms that would be available to third parties.

C. Receivables from related parties:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable		
Subsidiary	\$ 812	\$ -
Others	5,624	9,958
	<u>6,436</u>	<u>9,958</u>
Other receivables — machine lending		
Subsidiary	-	782
Other receivables — Collection and payment		
Subsidiary	-	3,071
Other receivables — Proceeds from disposal of property, plant and equipment		
Subsidiary	1,019	-
	<u>1,019</u>	<u>3,853</u>
	<u>\$ 7,455</u>	<u>\$ 13,811</u>

The receivables from related parties arise mainly from sale transactions and disposal of property, plant and equipment. The receivables are due 2 months after the date of sales. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

D. Payables to related parties:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts payable:		
Other payables — machine lending		
Subsidiary	\$ 117	\$ 117
Other payables — acquisition of property, plant and equipment		
Subsidiary	9,261	-
	<u>\$ 9,378</u>	<u>\$ 117</u>

The payable from related parties arise mainly from lent test and acquisition of property, plant and equipment. The receivables are due 2 months after the date of sales. The receivables are unsecured in nature and bear no interest.

E. Property transactions:

(a) Acquisition of property, plant and equipment:

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
Subsidiary	<u>\$ 66,365</u>	<u>\$ 18,076</u>

(b) Disposal of property, plant and equipment

Subsidiary	Year ended	Year ended
	December 31, 2019	December 31, 2018
	\$ 10,801	\$ -

F. Endorsements and guarantees provided to related parties:

Subsidiary	Year ended	Year ended
	December 31, 2019	December 31, 2018
Subsidiary	\$ 254,930	\$ 168,933
Second-tier subsidiaries	599,600	-
	\$ 854,530	\$ 168,933

G. Other transactions

	Year ended		Year ended	
	December 31, 2019		December 31, 2018	
	Items	Amount	Items	Amount
Subsidiaries	Other revenues	\$ 2,207	Other revenues	\$ 2,295
Subsidiaries	Lease expenses	\$ 1,574	Lease expenses	\$ 12,309
Second-tier subsidiaries	Research and delopment expense — research expense	\$ 2,000	Research and delopment expense — research expense	\$ -
Second-tier subsidiaries	Payment in advance	\$ 10,100	Payment in advance	\$ -

(3) Key management compensation

	Years ended December 31,	
	2019	2018
Short-term employee benefits	\$ 80,505	\$ 93,569
Post-employment benefits	1,112	1,247
Total	\$ 81,617	\$ 94,816

8. PLEDGED ASSETS

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

Pledged assets	Book value		Purpose
	December 31, 2019	December 31, 2018	
Property, plant and equipment	\$ 1,313,483	\$ 799,213	Short-term and long-term borrowings

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2)Commitments

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property, plant and equipment	\$ 980,423	\$ 364,761

10.SIGNIFICANT DISASTER LOSS

None.

11.SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(17) for the appropriation for 2019.

12.OTHERS

(1)Capital management

The Company's capital management objectives are to ensure that the Company can continue to operate, maintain the best capital structure to reduce capital costs, and provide compensation to shareholders. 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. The Company uses the debt-to-capital ratio to monitor its capital, which is calculated as net debt divided by total capital. Net debt is calculated as total loans (including "Current and Non-current Loans" as reported in the Consolidated Balance Sheet) minus cash and cash equivalents. The calculation of total capital is the "Equity" reported in the Consolidated Balance Sheet plus the net debt. The Company's strategy for 2019 remained the same as that of 2018, which was committed to maintain the debt-to-capital ratio at around 40%. As of December 31, 2019 and 2018, the Company's debt ratio was less than 40%.

(blank below)

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</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	\$ 338,007	\$ 158,981
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	495,733	530,875
Financial assets at amortized cost		
Cash and cash equivalents	2,852,266	2,518,994
Financial assets at amortized cost	1,758,480	778,480
Accounts receivable (including related party)	1,656,142	1,435,826
Other receivables	33,134	16,786
Guarantee deposits paid	11,094	12,106
	<u>\$ 7,144,856</u>	<u>\$ 5,452,048</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 571,242	\$ 34,204
Accounts payable	121,878	101,913
Other accounts payable (including related party)	1,548,932	930,295
Corporate bonds payable (including current portion)	1,182,781	345,694
Long-term borrowings (including current portion)	5,123,637	4,257,500
Guarantee deposits received	8,159	8,499
	<u>\$ 8,557,429</u>	<u>\$ 5,678,105</u>
Lease liabilities	<u>\$ 33,965</u>	<u>\$ -</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. The Company's overall financial risk management policies focus on unpredictable events in financial market and seeks to reduce potential adverse effects on the Company's financial position and performance.

- (b) Risk management is carried out by the Finance Department under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and subsidiaries used in various functional currency primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- ii. Management of the Company has set up a policy to require Finance Department to hedge their foreign exchange risk exposure. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' 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, 2019		
	Foreign currency amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 65,180	29.98	\$ 1,954,129
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 22,043	29.98	\$ 660,838

				December 31, 2018		
				Foreign currency amount		Book value
				(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD:NTD	\$	49,534	30.72	\$	1,521,435
<u>Financial liabilities</u>						
<u>Monetary items</u>						
	USD:NTD	\$	2,981	30.72	\$	91,574

- iv. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on monetary items held by the Company for the years ended December 31, 2019 and 2018, amounted to (\$56,175) and \$40,353, respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

				Year ended December 31, 2019		
				Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD:NTD	1%	\$ 19,541	\$		-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
	USD:NTD	1%	\$ 6,608	\$		-

Year ended December 31, 2018			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 15,214	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 916	\$ -

#### Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, The Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares and open-end funds issued by the domestic 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, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$3,380 and \$1,590, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$4,957 and \$5,309, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

#### Cash flow and fair value Interest rate risk

- i. The Company's main interest rate risk arises from short-term borrowings and long-term borrowings with variable rates, which expose the Company to cash flow interest short-term borrowings t rate risk. During 2019 and 2018, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.

- ii. The Company's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- (b) Credit risk
- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.
  - ii. The Company manages their credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
  - iii. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
  - iv. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
    - (i) 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.
    - (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
  - v. The Company classifies customers' accounts receivable and contract assets in accordance with credit rating of customer. The Company applies the modified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.
  - vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
    - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

- (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. The Company used the forecast ability of historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. As of December 31, 2019 and 2018, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Up to 180 days	Total
<u>At December 31, 2019</u>						
Expected loss rate	0.001%	0.001%	30%	50%	50%~100%	
Total book value	\$ 1,732,639	\$ 21,627	\$ 126	\$ 2,024	\$ 3,552	\$ 1,759,968
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ 3,552	\$ 3,552
<u>December 31, 2018</u>						
Expected loss rate	0.001%	0.001%	30%	50%	50%~100%	
Total book value	\$ 1,473,437	\$ 123,831	\$ -	\$ -	\$ 3,552	\$ 1,600,820
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ 3,552	\$ 3,552

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Finance Department. The Finance Department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.
- ii. The Company has the following undrawn borrowing facilities:

	December 31, 2019	December 31, 2018
Floating rate:		
Expiring within one year	\$ 1,148,147	\$ 1,634,806
Expiring beyond one year	1,260,000	642,500
	<u>\$ 2,408,147</u>	<u>\$ 2,277,306</u>

iii. 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 for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2019	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Over 2 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 571,242	\$ -	\$ -	\$ -	\$ 571,242
Accounts payable	121,878	-	-	-	121,878
Other payables (including related parties)	1,548,932	-	-	-	1,548,932
Lease liability	10,506	10,506	10,508	6,076	37,596
Bonds payable (including current portion)	20,000	-	-	1,200,000	1,220,000
Long-term borrowings (including current portion)	2,101,996	836,660	1,553,987	772,292	5,264,935

December 31, 2018	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Over 2 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 34,204	\$ -	\$ -	\$ -	\$ 34,204
Accounts payable	101,913	-	-	-	101,913
Other payables	469,652	-	-	-	469,652
Bonds payable	-	-	351,400	-	351,400
Long-term borrowings (including current portion)	1,321,403	664,806	1,370,460	978,735	4,335,404

### (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. The fair value of the Company's investment in listed stocks is included in Level 1

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. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

Except for those listed in the table below, the carrying amounts of cash and cash equivalents financial assets at amortized cost, accounts receivable, other receivables, short-term and long-term borrowings, notes payable, accounts payable and other payables are approximate

to their fair values.

	December 31, 2019			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable				
(including current portion)	\$ 1,182,781	\$ -	\$ 1,178,908	\$ -

	December 31, 2018			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable				
(including current portion)	\$ 345,694	\$ -	\$ 346,516	\$ -

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, 2019 and 2018 is as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary Certificate	\$ 164,695	\$ -	\$ -	\$ 164,695
Listed Company Stocks	2,277	-	-	2,277
General Corporate Bonds	129,781	-	-	129,781
Exchangeable Corporate Bonds	41,254	-	-	41,254
Equity instruments measured at fair value through other comprehensive income				
Equity securities	46,132	-	449,601	495,733
	<u>\$ 384,139</u>	<u>\$ -</u>	<u>\$ 449,601</u>	<u>\$ 833,740</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Bonds payable	<u>\$ -</u>	<u>\$ 1,182,781</u>	<u>\$ -</u>	<u>\$ 1,182,781</u>

December 31, 2018	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary Certificate	\$ 86,504	\$ -	\$ -	\$ 86,504
Listed Company Stocks	2,113	-	-	2,113
General Corporate Bonds	40,003	-	-	40,003
Exchangeable Corporate Bonds	30,361	-	-	30,361
Equity investment measured at fair value through other comprehensive income				
Equity securities	13,875	-	517,000	530,875
	<u>\$ 172,856</u>	<u>\$ -</u>	<u>\$ 517,000</u>	<u>\$ 689,856</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Bonds payable	<u>\$ -</u>	<u>\$ 345,694</u>	<u>\$ -</u>	<u>\$ 345,694</u>

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

- i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Open-end fund	Corporate bond	Convertible (exchangeable) bond
Market quoted price	Closing price	Net asset value	Weighted average quoted price	Closing price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

D. For the years ended December 31, 2019 and 2018, 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
	<u>Equity securities</u>	<u>Equity securities</u>
At January 1	\$ 517,000	\$ -
Retrospective application and Retrospective restatement effects	<u>-</u>	<u>500,000</u>
	517,000	500,000
Gains and losses recognized in other comprehensive income		
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	171,881	17,000
Sold in the year	<u>(239,280)</u>	<u>-</u>
At December 31	<u>\$ 449,601</u>	<u>\$ 17,000</u>

- F. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.
- G. Financial & Accounts segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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 measure:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$ 449,601	Net asset value	Not applicable	0.90	The higher the net asset value, the higher the fair value

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$ 517,000	asset value	Net asset value	0.93	The higher net asset value, the higher 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 categorized within Level 3 if the inputs used to valuation models have changed:

For the year ended December 31, 2019, there was no financial assets and liabilities categorized within Level 3:

				December 31, 2018			
				Recognized in profit or loss		Recognized in other comprehensive income	
		Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instrument	Price to earnings ratio multiple, net asset value	±1%	\$	-	\$	-	\$ 5,170 (\$ 5,170)

### 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: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 5.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

### 14. SEGMENT INFORMATION

Operational department information is exempt from the parent only financial report disclosures pursuant to the provisions provided by IFRS 8 "Operating Segments," but it must be reported in Consolidated Financial Statements

Sigurd Microelectronics Corporation

Loans to others

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended	Balance at	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					December 31, (Note 2)	December 31, 2019							Item	Value			
1	Flatek, Inc.	Tpfusion Inc.	Other receivables - related party	Y	\$ 7,165	\$ 7,165	\$ 7,165	0%	Reason for short-term financing	\$ -	Operational need	\$ -	-	\$ -	\$ 66,598	\$ 66,598	Note 4
1	Flatek, Inc.	Greenflatek, Inc.	Other receivables	N	734	734	734	0%	Reason for short-term financing	-	Operational need	-	-	-	66,598	66,598	Note 4
2	Valuenet International Ltd.	TPFUSION INC.	Other receivables - related party	Y	23,848	-	-	0%	Reason for short-term financing	-	Operational need	-	-	-	21,210	21,210	Note 4
2	Valuenet International Ltd.	Greenflatek, Inc.	Other receivables	N	6,317	6,317	6,317	0%	Reason for short-term financing	-	Operational need	-	-	-	21,210	21,210	Note 4
2	Valuenet International Ltd.	TPfusion Corp.	Other receivables - related party	Y	14,037	14,037	14,037	0%	Reason for short-term financing	-	Operational need	-	-	-	21,210	21,210	Note 4
2	Valuenet International Ltd.	OPS Electronic Limited	Other receivables - related party	Y	30,162	30,162	30,162	0%	Reason for short-term financing	-	Operational need	-	-	-	159,074	159,074	Note 5
3	Tpfusion Inc.	TPfusion Corp.	Other receivables - related party	Y	23,069	-	-	0%	Reason for short-term financing	-	Operational need	-	-	-	-	-	-

Note 1: The numbers filled in for the loans 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: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2019.

Note 3: The column of 'Nature of loan' shall fill in 'Business transaction or 'Short-term financing'.

Note 4: In accordance with that the Company's Procedures for Provision of Loans: the ceiling on total loans granted is 40% of its net equity, and the limit on loans granted to a single party is 40% of its net equity, except loans to subsidiaries.

Note 5: For loans granted mutually between subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by an overseas subsidiary to all overseas subsidiaries is 300% of the Company's net assets; limit on loans granted by an overseas subsidiary to a single subsidiary is 300% of the Company's net assets.

Sigurd Microelectronics Corporation  
Provision of endorsements and guarantees to others  
Year ended December 31, 2019

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (Note 10)	Ceiling on total amount of guarantees provided (Note 9)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	Sigurd Microelectronics Corp.	Burgurd Co., Ltd.	3	\$ 3,376,096	\$ 218,770	\$ 104,930	\$ 44,970	\$ -	0.93%	\$ 4,501,462	Y	N	N	
0	Sigurd Microelectronics Corp.	SIRIZE Technology (Suzhou) Corp.	3	3,376,096	610,000	599,600	-	-	5.33%	4,501,462	Y	N	Y	
0	Sigurd Microelectronics Corp.	Flatek, Inc.	3	3,376,096	150,000	150,000	-	-	1.33%	4,501,462	Y	N	N	
1	Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	2	4,888,996	2,400,000	900,000	450,000	-	18.00%	4,888,996	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: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1)Having business relationship.

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

(3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: As of the end of the year, the Company shall bear the responsibility for endorsement/guarantee upon the signing of the endorsement/guarantee contract with the bank or upon the approval of limit.  
Other relevant endorsements/guarantees should be included in the endorsement/guarantee balance.

Sigurd Microelectronics Corporation  
Provision of endorsements and guarantees to others  
Year ended December 31, 2019

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 8: In accordance with the Company's Procedures for Provision of Loans: the limit on endorsements/guarantees to a single party is 30% of its net assets.

Note 9: In accordance with the Company's Procedures for Provision of Loans: the ceiling on total endorsements/guarantees is 40% of the Company's net assets,

Note 10: The total endorsement/guarantee amount provided by Winstek Semiconductor Co., Ltd. (Winstek Technology) shall not exceed 50% of the its net value in the latest period.

The endorsement guarantee limit for a single enterprise shall be limited at 20% of the net value of Winstek Semiconductor Co., Ltd. (Winstek Technology) at the time when the endorsement/guarantee was made.

However, an endorsement/guarantee between Winstek Semiconductor Co., Ltd. (Winstek Technology) and among companies of which Winstek Technology directly or indirectly holds 100% of the voting shares, or other companies that Winstek Technology has agreed to purchase and upon completion will become a subsidiary of which Winstek Technology directly or indirectly holds 100% shares, and approved by a resolution of the Board of Directors, its endorsement/guarantee amount shall not be restricted by the aforesaid total amount of endorsement/guarantee and the limit of endorsement/guarantee for a single enterprise. However, the endorsement/guarantee to a single enterprise shall not exceed 100% of the net value of Winstek Technology in its most recent financial reports audited or reviewed by CPA.

In addition, the endorsement/guarantee not between Winstek Technology and among companies of which Winstek Technology directly or indirectly holds 100% voting shares, the total cumulative amount of such external endorsements/guarantees shall not exceed 100% of the net value of Winstek Technology in its most recent financial reports audited or reviewed by CPA.

Sigurd Microelectronics Corporation

Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)

December 31, 2019

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

		As of December 31, 2019						
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
Sigurd Microelectronics Corp.	Yuanta New ASEAN Balanced Fund	None	Current financial assets at fair value through profit or loss	\$ 3,000,000	\$ 27,090	-	\$ 27,090	
Sigurd Microelectronics Corp.	Yuanta Emerging Indonesia and India 4 years Bond Fund	None	Current financial assets at fair value through profit or loss	2,000,000	20,168	-	20,168	
Sigurd Microelectronics Corp.	Jih Sun China Strategy A Share Fund	None	Current financial assets at fair value through profit or loss	830,565	9,444	-	9,444	
Sigurd Microelectronics Corp.	Fuh Hua Smart Energy Bond Fund I	None	Current financial assets at fair value through profit or loss	2,000,000	21,080	-	21,080	
Sigurd Microelectronics Corp.	Fuh Hua Smart Energy Bond Fund II	None	Current financial assets at fair value through profit or loss	1,000,000	10,610	-	10,610	
Sigurd Microelectronics Corp.	Fuh Hwa Emerging Market Short-term Income Fund	None	Current financial assets at fair value through profit or loss	1,798,561	20,558	-	20,558	
Sigurd Microelectronics Corp.	CTBC iCity Development Fund	None	Current financial assets at fair value through profit or loss	500,000	4,995	-	4,995	
Sigurd Microelectronics Corp.	KGI Taiwan Multi-Asset Income Fund	None	Current financial assets at fair value through profit or loss	5,000,000	50,750	-	50,750	
Sigurd Microelectronics Corp.	Tung Ho Steel Enterprise Corp. 7th Domestic Convertible Bond	None	Current financial assets at fair value through profit or loss	100,000	10,606	-	10,606	
Sigurd Microelectronics Corp.	Yang Ming Marine Transport Corp. Domestic 5th Secured Convertible Bond	None	Current financial assets at fair value through profit or loss	200,000	20,314	-	20,314	
Sigurd Microelectronics Corp.	Standard Chartered PLC Perpetual Bond	None	Current financial assets at fair value through profit or loss	500,000	15,145	-	15,145	
Sigurd Microelectronics Corp.	ING Group Subordinated Perpetual Bond	None	Current financial assets at fair value through profit or loss	500,000	15,138	-	15,138	
Sigurd Microelectronics Corp.	Standard Chartered PLC Fixed Interest Bond.(USD)	None	Current financial assets at fair value through profit or loss	900,000	28,463	-	28,463	
Sigurd Microelectronics Corp.	Citigroup Inc. Fixed Interest Bond (USD)	None	Current financial assets at fair value through profit or loss	1,000,000	32,807	-	32,807	
Sigurd Microelectronics Corp.	Deutsche Bank NY Fixed Interest Bond (USD)	None	Current financial assets at fair value through profit or loss	900,000	28,177	-	28,177	
Sigurd Microelectronics Corp.	Mega Danish Covered Mortgage Bond Index Fund	None	Current financial assets at fair value through profit or loss	219,451	10,051	-	10,051	
Sigurd Microelectronics Corp.	Jih Lin Technology Co., Ltd. 2nd Domestic Unsecured Convertible Bonds	None	Current financial assets at fair value through profit or loss	100,000	10,334	-	10,334	
Sigurd Microelectronics Corp.	Tung Ho Steel Enterprise Corp.	None	Current financial assets at fair value through profit or loss	99,000	2,277	-	2,277	

Sigurd Microelectronics Corporation  
Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)  
December 31, 2019

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

		As of December 31, 2019						
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
Sigurd Microelectronics Corp.	ENE Technology Inc.	Board of Director	Non-current financial assets at fair value through other comprehensive income	\$ 1,373,798	\$ 15,112	1.83%	\$ 15,112	
Sigurd Microelectronics Corp.	Advanplating Technology Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	1,185,000	-	11.36%	-	
Sigurd Microelectronics Corp.	Ordinary Shares of EGTRAN Inc.	None	Non-current financial assets at fair value through other comprehensive income	21,689	-	2.16%	-	
Sigurd Microelectronics Corp.	iDESYN Semiconductor Corp. Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	23,040	-	0.03%	-	
Sigurd Microelectronics Corp.	Yann Yuan Investments Co., Ltd.	Board of Director	Non-current financial assets at fair value through other comprehensive income	6,000,000	449,601	4.03%	449,601	
Sigurd Microelectronics Corp.	WPG Holdings Limited Preferred Share A	None	Non-current financial assets at fair value through other comprehensive income	600,000	31,020	0.30%	31,020	
TEST-SERV Inc.	Samhop Microelectronics Corp.	None	Non-current financial assets at fair value through other comprehensive income	114,757	-	1.07%	-	
TEST-SERV Inc.	Sitec Semiconductor Ltd.	None	Non-current financial assets at fair value through other comprehensive income	20,545,354	-	1.22%	-	
TEST-SERV Inc.	Deepwaters Digital Support Inc.	None	Non-current financial assets at fair value through other comprehensive income	190,476	-	1.11%	-	

Sigurd Microelectronics Corporation  
Significant inter-company transactions during the reporting periods  
Year ended December 31, 2019

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Sigurd Microelectronics Corporation	Winstek Semiconductor Co., Ltd	1	Property, plant and equipment	\$ 57,546	Note 6	0.23%
1	Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	3	Operating revenue	83,822	Note 6	0.83%
1	Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	3	Accounts receivable	32,317	Note 6	0.13%

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.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on year-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Note 5: Including the amount of the parent company's fund loaned to subsidiary, according to the agreed interest rate plus interest.

Note 6: For these transactions, the prices and times were determined in accordance with mutual agreements.

Note 7: Only the transactions over \$20,000 are disclosed, and the related party transactions are not disclosed.

## Sigurd Microelectronics Corporation

## Information on investees

Year ended December 31, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 2(3))	Footnote
				Balance	Balance	Number of shares	Ownership (%)	Book value			
				as at December 31, 2019	as at December 31, 2018						
Sigurd Microelectronics Corp.	Sigurd International Co., Ltd.	British Virgin Islands	Investment company	\$ 975,135	\$ 975,135	30,254,043	100.00	\$ 166,871	\$ 396	\$ 396	
Sigurd Microelectronics Corp.	Burgurd Co., Ltd.	Hongkong	International trade company	20,460	20,460	-	100.00	( 40,434)	( 2,076)	( 2,076)	
Sigurd Microelectronics Corp.	TEST-SERV Inc.	Taiwan	Semiconductor assembly and testing	1,403,337	1,403,337	80,200,031	100.00	1,265,115	131,307	117,204	
Sigurd Microelectronics Corp.	Bloomeria Limited	Singapore	Investment company	1,643,776	1,643,776	2,202,218,293	100.00	2,501,759	321,549	290,253	
Sigurd Microelectronics Corp.	AMBERSAN medical technology Co., Ltd.	Taiwan	Medical equipment manufacturing and sales	18,150	-	1,815,000	55.00	17,792	( 650)	( 358)	
Sigurd Microelectronics Corp.	Flatek, Inc.	Taiwan	Digital Information supply service	100,000	-	10,000,000	58.77	80,511	( 34,760)	( 21,854)	
Sigurd Microelectronics Corp.	Flusol Co., Ltd.	Hongkong	Investment company	804,506	-	-	96.66	716,783	( 24,273)	( 23,881)	
Sigurd International Co., Ltd.	Sigurd Microelectronics (Cayman) Co., Ltd.	Cayman Islands	Investment company	795,850	795,850	35,503,018	78.33	123,789	2,482	-	
Sigurd International Co., Ltd.	Flusol Co., Ltd.	Hongkong	Investment company	47,106	47,106	-	3.34	24,788	( 24,273)	-	
Bloomeria Limited	Winstek Semiconductor Co., Ltd.	Taiwan	Packaging testing	2,242,871	2,242,871	70,694,438	51.88	2,365,987	567,643	-	
Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	Taiwan	Services of turnkey wafer bumping and wafer level packaging	2,875,740	2,875,740	310,000,000	100.00	3,239,569	165,193	-	

Sigurd Microelectronics Corporation

Information on investees

Year ended December 31, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 2(3))	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
TEST-SERV Inc.	Winstek Semiconductor Co., Ltd.	Taiwan	Packaging testing	\$ 1,120	\$ -	\$ 43,000	0.03	\$ 1,185	\$ 567,643	\$ -	
Flatek, Inc.	OPS Electronic Ltd.	Hongkong	Investment company	40	-	10,000	100.00	5,559	( 18,571)	-	
Flatek, Inc.	TPFUSION INC.	Taiwan	Digital Information supply service	11,250	-	1,125,000	75.00	( 78,299)	( 105,742)	-	
Flatek, Inc.	Valuenet International Ltd.	British Virgin Islands	Digital Information supply service	1,568	-	50,000	100.00	51,712	7,487	-	
TPFUSION INC.	TPfusion Corp.	Japan	Digital Information supply service	6,684	6,684	97,971	98.00	( 96,266)	8,857	-	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2019' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column..
- (2)The 'Net profit (loss) of the investee for the year ended December 31, 2019' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognized by the Company for the December 31, 2019 column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this year. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this year has included its investment income (loss) which shall be recognized by regulations.

Sigurd Microelectronics Corporation  
Information on investments in Mainland China  
Year ended December 31, 2019

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount remitted from Taiwan		Accumulated	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31 2019 (Note 2(2) B)	Book value of investments in Mainland China as of December 31, 2019	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2019	to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019	Remitted to Mainland China	Remitted back to Taiwan					amount of remittance from Taiwan to Mainland China as of December 31, 2019	
Sigurd Micro Electronics (Wuxi) Co., Ltd.	Production and sales of microelectronic products	\$ 911,278	2	\$ 611,991	\$ -	\$ -	\$ 611,991	\$ 1,944	78.33	\$ 1,523	\$ 149,618	\$ -	Note 4
Flusol (Shenzhen) Co., Ltd.	Commodity broker, commodity brokerage, and integrated circuit design	45,249	2	45,249	-	7,954	45,249	( 20)	100.00	( 20)	70	-	Note 3
OPS Electronic (ShenZhen) Limited	Manufacture and sales of IC programmers and its parts, IC copiers, components for chip testers and electronic components	26,033	2	26,033	-	-	26,033	( 18,710)	100.00	( 5,856)	35,322	-	
SIRIZE Technology (Suzhou) Corp.	Design of testing application for integrated and advanced services of packing and testing for integrated circuit	757,700	2	-	757,700	-	757,700	( 22,432)	100.00	( 23,463)	734,182	-	

Sigurd Microelectronics Corporation  
Information on investments in Mainland China  
Year ended December 31, 2019

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China..
- (2) Through Investment in an existing company in the third area, which then invested in the investee in Mainland China. (Invested Sigurd Micro Electronics (Wuxi) Co., Ltd, through Sigurd Microelectronics (cayman) Co., Ltd; invested Flusol(Shenzhen) Co., Ltd and SIRIZE Technology (Suzhou) Corp. through Flusol Co., Ltd and invested OPS Electronic (ShenZhen) Limited through OPS Electronic Limited.
- (3) Others

Note 2: In the 'Investment income (loss) recognized by the Company for the year ended December 31, 2019' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
  - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
  - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
  - C. Self-contained financial statements.

Note 3: Flusol (Shenzhen) Co., Ltd. has remitted US\$259 thousand (NT\$7,954) to Flusol Co., Ltd on October 16, 2019.

Note 4: As of December 31, 2019, the accumulated amount of remittance including other investors from Taiwan to Sigurd Micro Electronics (Wuxi) Co., Ltd. is US\$27,700 thousand (NT\$ 826,153).

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	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
Sigurd Micro Electronics (Wuxi) Co., Ltd.	\$ 611,991	\$ 626,325	\$ 8,113,732
Flusol (Shenzhen) Co., Ltd.	45,249	45,249	8,113,732
OPS Electronic (ShenZhen) Limited SIRIZE Technology (Suzhou) Corp.	26,033 757,700	Note 5 1,349,100	Note 5 8,113,732

Note 5: The company acquired Flatek, Inc on September 6, 2019 and indirectly obtained the control of OPS Electronic (ShenZhen) Limited., Preceding investment has been submitted to MOEA for approval.

VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year up to the date of publication of the annual report, how said difficulties will affect the company's financial situation: the Company and affiliates have not experienced financial difficulties in the most recent fiscal year up to the date of publication of the annual report

## Seven. Review and analysis of financial standing and financial performance and the risk concern

### I. Financial position

Unit: NTD Thousand Dollars; %

Item	Year		Difference	
	2018	2019	Amount	%
Current assets	9,659,268	12,975,111	3,315,843	34.33
Property, plant and equipment	9,078,438	10,643,730	1,565,292	17.24
Intangible assets	134,985	112,245	(22,740)	(16.85)
Other assets	598,058	1,021,977	423,919	70.88
Total amount of assets	19,470,749	24,753,063	5,282,314	27.13
Current liabilities	4,047,743	6,672,432	2,624,689	64.84
Non-current liabilities	3,533,134	4,557,747	1,024,613	29.00
Total amount of liabilities	7,580,877	11,230,179	3,649,302	48.14
Share capital	3,899,558	4,206,834	307,276	7.88
Capital reserve	811,273	923,672	112,399	13.85
Retained earnings	5,166,079	6,089,115	923,036	17.87
Other equity	(48,274)	34,033	82,307	(170.50)
Treasury stocks	0	0	0	0
Non-controlling equity	2,061,236	2,269,230	207,994	10.09
Total of equity	11,889,872	13,522,884	1,633,012	13.73
1. Reason of change and the effects: (the amount changes for more 10% or more, and the changed amount accounts for 1% of the total assets for the year)				
(1) Increase of current assets: the increase of current assets is resulted from issuance of the convertible corporate bonds and new shares for cash capital increase.				
(2) Increase of property, plant and equipment: the main reason includes the replacement of some machines and equipment for new one, procurement of 5G equipment and software, to enhance the capabilities of production processes.				
(3) Increase of other assets The reason is that in 2019IFRS No. 16 "Lease" was applied for the first time, and the Company recognized the right-of-use assets.				
(4) Increase of current liabilities: The reason is that in 2019, the Company obtained more short-term borrowings from banks to purchase equipment to meet the needs of replacing equipment and expanding capacities due to the operation needs.				
(5) Increase of non-current liabilities: the main reason is that the Company issued NT\$1.2 billion of convertible corporate bonds in 2019, resulting in the increase of non-current liabilities.				
(6) Increase of retained earnings: it is because the acquisition of the stake of Bloomeria in 2017 has brought the indirect 51.88% stake of Winstek Semiconductor Technology that is consolidated to the consolidated statement; the benefit of merge is demonstrated.				
(7) Increase of total equity: the increase of total equity is because new shares were issued in 2019 for cash capital increase and thus the share capital increased, while the benefit of merging Winstek Semiconductor Technology emerged.				
2. Responding plan: none.				

### II. Financial performance

#### (I) Comparison and analysis of financial performance

Unit: NTD Thousand Dollars; %

Item	Year		Amount increased (decreased)	Change (%)
	2018	2019		
Operating revenue	9,541,489	10,046,619	505,130	5.29
Operating cost	6,884,399	7,007,157	122,758	1.78
Operating gross profit	2,657,090	3,039,462	382,372	14.39
Operating expenses	931,892	967,458	35,566	3.82
Operating incomes	1,725,198	2,072,004	346,806	20.10
Non-operating incomes and expenses	66,537	(1,000)	(67,537)	(101.50)
Pre-tax net profit	1,791,735	2,071,004	279,269	15.59
Income tax expenses	444,482	507,443	62,961	14.17
Net profit of the term	1,347,253	1,563,561	216,308	16.06
Other comprehensive income (after-tax net amount) of the term	96,394	71,181	(25,213)	(26.16)
The total comprehensive income of the term	1,443,647	1,643,742	191,095	13.24
Description of the material changed items: (the amount changes for more 10% or more, and the changed amount accounts for 1% of the total assets for the year)				
Operating revenue, operating gross profit, operating incomes, and pre-tax net profit: it is because the acquisition of the stake of Bloomeria on October, 2017 has brought the indirect 51.88% stake of Winstek Semiconductor Technology that is consolidated to the consolidated statement; the benefit of merge is demonstrated.				

(II) The potential effects from the expected sales quantity and its basis to the Company's future financial and business, and the responding plans: based on the historical data of operating revenues from previous years, and by referring the forecasts to the

semiconductor industry and packaging/testing by professional forecasting agencies, the Company expects the sales quantity and revenue for the coming year is cautiously optimistic.

### III. Cash flow

#### (I) Analysis and description of the changes to the cash flow in the most recent fiscal year

Unit: NTD Thousand Dollars, %

Item	2018	2019	Amount increased (decreased)	Percentage increased (decreased) (%)
Operating activities	4,076,110	3,515,090	(561,020)	(13.76)
Investment activities	(3,078,977)	(5,125,808)	(2,046,831)	66.48
Fundraising activities	(684,518)	1,929,824	2,614,342	(381.92)
Description of material changed items				
(1) Operating activities: it is mainly because the revenue of the term increased, and thus the net profit and accounts receivables increased, while other accounts payable increased.				
(2) Investment activities: the main reason includes the replacement of some machines and equipment for new one, procurement of 5G equipment and software, to enhance the capabilities of production processes.				
(3) Fundraising activities: issuance of the convertible corporate bonds and new shares for cash capital increase resulted in the net cash flow to the fundraising activities. .				

#### (II) Improvement plan to the illiquidity: not applicable.

#### (III) Analysis of cash flow for the next year (2020)

Unit: NTD Thousand Dollars

Cash at the beginning of the term Balance	Net cash flows from operating activities for the full year	Cash outflows for the full year	Amount of residual (insufficient) cash	Remedies for insufficient cash amount	
				Investment plan	Financing plan
4,620,939	3,795,600	3,948,997	4,467,542	—	—
1. Analysis of the changes to the cash flow in next year:					
(1) The net cash flows from operating activities are mainly resulted from the operating cash revenue of NT\$3,795,600,000					
(2) The cash outflows were mainly applied to the operating expenses and purchase of machines and equipment.					
2. Expected remedies to the short cash account and analysis of liquidity: not applicable.					

IV. Effects from the material capital expenditures to finance and business in the most recent fiscal year: In 2019, the Company purchased machines and other factory equipment with the capital in hand and bank loans, for total NT\$3,288,873,000, mainly for the replacement some machines and equipment for new one, to enhance the capabilities of production processes, while improving the product development, for the purpose of meeting clients' needs, which in turns having positive effects to the Company's finance and business.

V. The company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

(I) main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

December 31, 2019; unit: thousand NTD

Reinvested company	Recent year Profit/loss of the investment	Policy	Profit or loss and the major cause	Corrective action plan	Other future Investment plan
Sigurd International Co., Ltd.	396	Offshore investment (BVI)	Main cause is to recognize the profit/loss of Sigurd Microelectronics (Cayman) Co., Ltd. and Flusol Co., Ltd.	Not applicable	None
Burgurd Co., Ltd.	(2,076)	Hong Kong trading	Main cause is that the reinvestment has not yet reached the economic scale, and thus generated losses.	The company will keep on focusing on the niche products and obtaining orders from clients.	None

Reinvested company	Recent year Profit/loss of the investment	Policy	Profit or loss and the major cause	Corrective action plan	Other future Investment plan
Test-Serv Co., Ltd.	117,204	Packaging testing	Stable operation with recurrent profit	Not applicable	None
Sigurd Microelectronics (Cayman) Co., Ltd.	—	Offshore investment (Cayman)	Major reason is to recognize income/loss of Sigurd Micro Electronics (Wuxi) Co.,Ltd	Not applicable	None
Flusol Co., Ltd.	—	Hong Kong investment	Major reason is to recognize the income/loss of Hong Da Yang Electronics (Shenzhen) Co., Ltd.	Once the operation of the subsidiary is improved, the investment profit will be contributed.	None
Hong Da Yang Electronics (Shenzhen) Co., Ltd.	—	Sales	Main cause is that the reinvestment has not yet reached the economic scale, and thus generated losses.	The company will keep on focusing on the niche products and obtaining orders from clients.	None
Sigurd Micro Electronics (Wuxi) Co.,Ltd	—	Manufacturing and sales of microelectronic products.	Main cause is the lease incomes and gains from foreign exchange	Not applicable	None
Bloomeria limited CO., LTD.	290,253	Investing Company	Dividend revenue	None	None
Winstek Technology Co.,Ltd	—	Packaging testing	Stable operation with recurrent profit	Not applicable	None
Winstek Semiconductor Technology Co.,Ltd	—	Packaging testing	Stable operation with recurrent profit	Not applicable	None
Ambersan Medical Technology Co., Ltd.	(358)	Manufacturing and sales of medical equipment.	Main cause is that the reinvestment has not yet generated profit and thus became loss.	Not applicable	None
Sigurd (Suzhou) Moletron Technology Co., Ltd.	—	R&D of semiconductor testing software, and advanced packaging and testing services	The company was just founded and the plant and equipment are under installation and put into mass production.	The company will keep on focusing on the niche products and obtaining orders from clients.	None
Flatek Co., Ltd.	(21,854)	Service provider electronic information.	Main cause is recognizing the loss from investments to OPS electronics and TPfusion Technology	Securing orders from clients, planning factory expansion, and enhancing the capacity utilization.	None
OPS Electronics Limited	—	Investment business	Main cause is recognizing the loss from investments to OPS (Shezhen)	Once the operation of the subsidiary is improved, the investment profit will be contributed.	None
OPS Electronics (Shenzhen) Co., Ltd.	—	Production and sales of disk burner and accessories, copier, chip testing apparatus, and electronic components.	Main cause is that the reinvestment has not yet reached the economic scale, and thus generated losses.	Securing orders from clients, and enhancing the capacity utilization.	None
TPfusion Technology Co., Ltd.	—	Service provider electronic information.	Main cause is recognizing the loss from investments to TPfusion Corp.	Not applicable	None
TPfusion Corp.	—	Service provider electronic information.	The company will keep on focusing on the niche products and increase the operating revenue	Not applicable	None
Valuenet International Limited	—	Service provider electronic information.	Stable operation with recurrent profit	Not applicable	None

(II) Investment plan for the next year: the Company expects there is no material investment plan.

## VI. Analyses and assessment of risks

(I) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future.

1. Interest rate risks: The Group closely monitors the movement of interest rate. It is

- expected that there will be no material movement of the domestic interest rate level; however, the movement of interest rate will be monitored, and the fixed or floating rate borrowing will be adjusted accordingly, to mitigate the risks of increasing fund costs due to movement of interest rates. Therefore, it is expected the Company's profits (losses) are not exposed to a great risk of interest rate movement.
2. Movement of foreign exchange: the fair value changes along with the fluctuation of foreign exchange. With the proper financial operations, the assets and liabilities in foreign currencies are not expected to be exposed to material market risks. The transactions involving foreign exchange take a natural hedge approach for the effective control of risks. The movement of foreign exchange rate is under monitoring, to minimize the FX risks. Though TWD exchange rate fluctuates, but with proper financial control, the risks are mitigated, and thus the fluctuation of foreign exchange does not impact the profits (losses) of the Group's companies.
  3. Risk of inflation: The profits (losses) of the Group has not been significantly affected by inflations; it is expected the inflation will not affect the Group in the future, either.
  4. Future responding measures: to respond to the movement of interest rate and foreign exchange, the Company closely communicates with the banks to grasp the trends of market movement for prudential assessment as the reference of transaction. Moreover, before offering quotations to clients, the Business units conduct comprehensive considerations and assessment regarding future foreign exchange movement and the influential factors, to determine proper and reasonable prices, so that the fluctuation of foreign exchange does not affect the revenue and profit of the Company adversely.
- (II) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.
1. The Groups focuses on the major businesses, and takes no high-risk investments nor highly leveraged investments; each investment is conducted after prudential assessments. Procedures for Providing Endorsements/guarantees
  2. Main reasons of profit/loss, and the measures to be taken in response:
    - (1) The Company has adopted the overall risk management and control system, to clearly identify, measure, and control all the risks to which the Company exposes, so that the management of the Company is able to effectively control and measure the market risks, credit risks, liquidity risks, and cash flow risks.
    - (2) To effectively control various objectives of market risk managements, the Group complies with related principles and adequately takes the economic environment, competition, and risks of market values into accounts, to achieve the optimized risk positions, maintenance of proper liquidity positions, and centralized management of all market risks.
- (III) Future R&D plans and the expected R&D expenses: the future total R&D expenses are expected to be contained within 5% of the revenues.
1. Improving the SOC IC testing techniques for 5G mobile phones.
  2. Researching and developing 5G related equipment IC testing technology.
  3. With the increasing popularity and demand for artificial intelligence (AI) applications, the Company collaborates with numerous research institutions and industrial companies to upgrade packaging and testing technologies.
  4. Researching and developing IC packaging and testing technologies related to Augmented Reality (AR) and Virtual Reality (VR).

5. Developing Internet of Things (IoT) related integrated IC packaging and testing technology.
  6. Developing RF-related packaging and testing technologies, such as Wi-Fi 6, WLAN SOC IC, Near Field Communication (NFC), and Wireless Power.
  7. Researching and developing packaging and testing technology for MEMS, such as multi-axis accelerator, gyroscope, magnetometer, pressure sensor, and temperature and humidity sensor.
  8. Developing the related image IC integrated packaging and testing technology: 3D Codec IC, 3D motion SOC IC, and 8K4K (with a resolution of 7680x4320) video/audio Codec IC related testing technologies.
  9. Exploring the 5 nanometer packaging and testing technology.
  10. Expanding the integrated capacity of the WLCSP and improving related technical capabilities.
  11. Researching GaN-related packaging and testing technology.
  12. Researching vehicle electronics, Internet of Vehicle related IC packaging/testing technology and certifications.
  13. Researching Biometrics recognition (such as fingerprint, iris) related IC packaging and testing technology.
  14. Planning of Smart Factory and machine automation.
- (IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response: the Company monitors the changes to the major domestic and foreign policies and laws at all times, and takes responding measures in time actively. For the most recent fiscal year up to the printing date of the annual report, there has been no finance/business affected by any change to the major domestic and foreign policies and laws.
- (V) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:
1. After experiencing the global recession, the management has taken more conservative approaches toward operations, with more prudential investments. Not only maintaining or enhancing the effective utilization of equipment and providing productivities, the Company also takes the maintenance of excellent quality as the first priority to regain the confidence of clients.
  2. Description of analysis to information security risks:
    - (1) The Company established the framework of information security management: to provide the uninterrupted operation system for the business operation of the Company, and comply with the related regulatory requirements, the ISMS information security management system, covering all managerial matters, to prevent unforeseeable system disruption risks resulted from natural disasters or man-made negligence that bring various potential risks and disasters.
    - (2) Description of information security assessment and analyses; the information security policies and operational guidelines are reviewed on regular basis, to ensure the adequacy and effectiveness, and establish the safe and trustworthy information system service. To prevent the unforeseeable natural disasters or man-made negligence resulting data destroyed, a data remote-backup mechanism is established, to send the backup media to other plants to be maintained remotely, while establishing the recovery simulation testing drill of the information system, so that the completeness of data and the rapid recovery of the system services are ensured to achieve the expected recovery time of system. To strengthen the protections to information security, ensure the confidentiality of the Company's data, and the protection to the security of

personal data, as well as mitigate the information security vulnerability of data leaking, all the computers in the Company have been installed with antivirus software, and all the USB external access are blocked. The e-mail and social media drills are conducted regularly and the defense system against invasion is established to monitor and identify the malicious actions and behaviors existing in the network and systems. The information security service conducts vulnerability scanning, to detect any vulnerability existing in the information system, fix it if any, and enhance the preventive measures.

- (3) Establishment of information security policies and concrete managerial programs: to enhance the information security management, the safe and trustworthy information system service is established, to ensure the confidentiality, completeness, and availability of data assets, and mitigate the risks including the followings: the internal and external data assets stolen due to man-made negligence, willful misconduct, or natural disasters; improper applications; leaking, compromising, or destroy data, while complying the with the related regulatory requirements, to provide the undisrupted operation system for the business operation of the Company.
- ① Each information security managerial requirement must comply with the related regulatory requirements and the operational requirements, to conduct the risk assessment for the information systems, to confirm the security needs of the information operation, take proper information security measures, and ensure the security of the information system.
  - ② Based on the roles and functions, the information security training is conducted as necessary, while promoting the information security policies and related implementation guidelines.
  - ③ The access authorizations of each information system and services are separated as the minimum authorization for the business needs and the responsibilities, to prevent unauthorized access.
  - ④ The software and hardware management for the information system are deployed under an overall plan, to utilize the information resources effectively.
  - ⑤ The establishment of a new information system shall consider the information security factors, to prevent any circumstance hazardous to the system security.
  - ⑥ A safe and solid information machine room environment is established, and the related maintenance is conducted regularly, to ensure the stable operation of the information system.
  - ⑦ The drills of information system security continuity are conducted regularly, to ensure the information system operates properly if any material information security incident occurs.
  - ⑧ The information security audits are conducted regularly, to review the implementation of information security management systems.
  - ⑨ Pursuant to the requirements of the Personal Information Protection Act and the Intellectual Property Act, the personal information and intellectual rights are processed and protected cautiously.
  - ⑩ The assessments of information security policies are conducted regularly, to cause the policies conforming to the information security management, laws and regulations, technologies, and the latest circumstance of the Company's operation, to ensure the feasibility and effectiveness of the information security practices.

3. Shall any material operating risk is assessed, disclose the responding measures: Year 2019 up to the printing date of the annual report, no material information security issues or incidents that would greatly impact the Company adversely have been identified.
- (VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:
  - (VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:
  - (VII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: There is no plan to expand the plants.
  - (IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken
    - 1. Mitigating the risk of over-concentrated purchases: the Company seeks many suppliers assessed outstanding, to ensure the quality of procured materials, while mitigating the risks of supply shortage or disruption.
    - 2. Mitigating the risk of over-concentrated sales: in the recent years, the Company has adjusted the product structures to meet the market demands. Not only does the Company increase the weight of the testing business, but also develops new product lines, and increases the demands from clients' markets. We increase various testing services, to enhance the overall competitive edges, to avoid the risk of over-concentrated sales.
  - (X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: none.
  - (XI) Effect upon and risk to the company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: during Year 2019 up to the printing date of the annual report, there has been no change in governance personnel or top management.
  - (XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes: none.
  - (XIII) Other important risks, and mitigation measures being or to be taken: none.

VII. Other Key Matters: none.

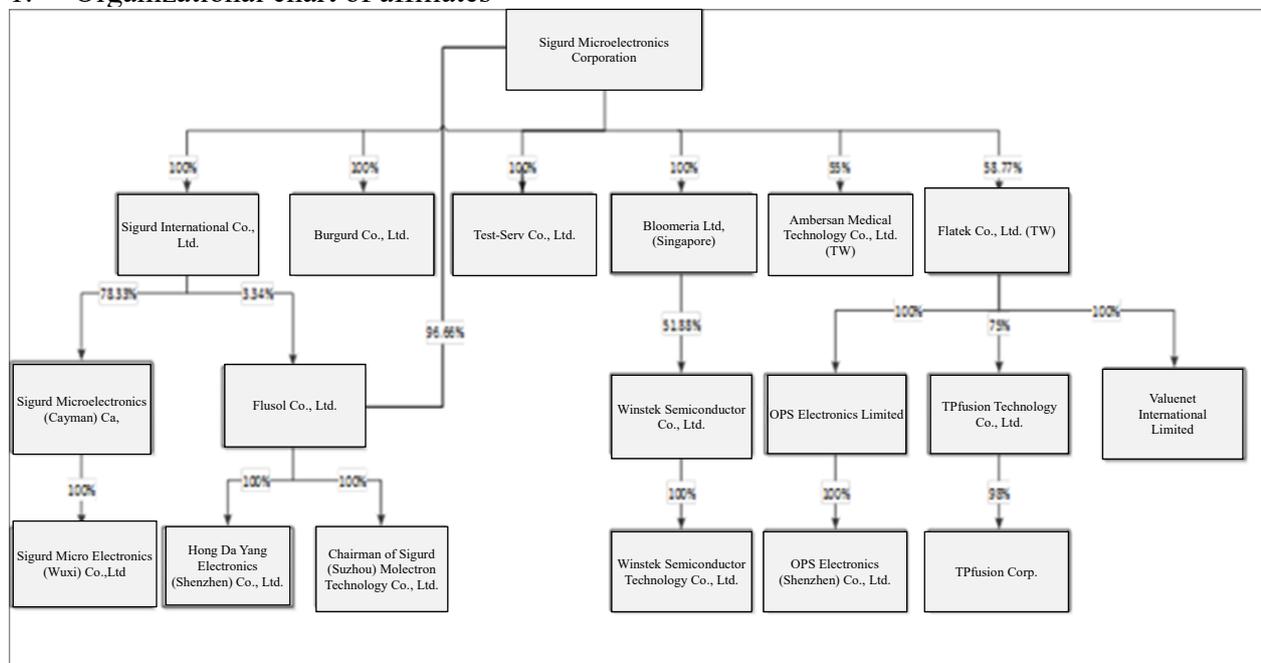
## Eight: Special Mentioned Matters

December 31, 2019

### I. Information of Affiliates

#### (I) Consolidated Business Report of Affiliates

##### 1. Organizational chart of affiliates



##### 2. Profile of each affiliate

Name of corporation	Date of establishment	Address	Paid-up capital	Major business/production
Sigurd International Co. Ltd.	September 28, 2000	B.V.I.	USD 30,254,000	Investing Company
SIGURD MICROELECTRONICS (CAYMAN) CO., LTD. (Originally named SIGURD MICROELECTRONICS CORP. CO., LTD.)	June 20, 2001	CAYMAN	USD 453,000	Investing Company
Sigurd Micro Electronics (Wuxi) Co.,Ltd	April 29, 1998	Wuxi, China	USD 28,000,000	Production and sales of microelectronic products.
Test-Serv Co., Ltd.	February 24, 1992	Taiwan	NTD 802,000,000	Packaging and testing.
Burgurd Co., Ltd. Burgurd Co., Limited	October 18, 2010	Hong Kong	USD 686,000	International Trade Company
Flusol Co., Ltd.	October 18, 2010	Hong Kong	USD1,554,000	Investing Company
Hong Da Yang Electronics (Shenzhen) Co., Ltd.	May 26, 2011	Shenzhen, China	USD 1,500,000	Product brokering and agenting, and IC designing
Sigurd (Suzhou) Moletron Technology Co., Ltd.	September 6, 2019	Suzhou, China	USD 25,000,000	R&D of semiconductor testing software, and advanced packaging and testing services

Name of corporation	Date of establishment	Address	Paid-up capital	Major business/production
Ambersan Medical Technology Co., Ltd.	September 19, 2019	Taiwan	NT 33,000,000	Manufacturing and sales of medical equipment.
Bloomeria Ltd, Singapore	September 26, 2014	Singapore	USD 741,120,000	Investing Company
Winstek Semiconductor Co., Ltd. Winstek Semiconductor Co., Ltd.	April 26, 2000	Taiwan	NTD 1,362,617,000	R & D and testing of integrated circuits IC
Winstek Semiconductor Technology Co., Ltd. Winstek Semiconductor Technology Co., Ltd.	September 29, 2005	Taiwan	NTD 3,100,000,000	Wafer bumping and packaging service of wafer.
Flatek Co., Ltd.	June 5, 2002	Taiwan	NTD 170,160,000	Service provider electronic information.
OPS Electronics Limited	January 21, 2009	Hong Kong	HKD 10,000	Investment business
OPS Electronics (Shenzhen) Co., Ltd.	March 9, 2011	Shenzhen, China	HKD 6,500,000	Production and sales of disk burner and accessories, copier, chip testing apparatus, and electronic components.
TPfusion Technology Co., Ltd.	December 22, 2012	Taiwan	NTD 15,000,000	Service provider electronic information.
TPfusion Corp.	December 27, 2012	Osaka, Japan	JPY 30,986,000	Service provider electronic information.
Valuenet International Limited	July 8, 2005	B.V.I.	USD 50,000	Service provider electronic information.

3. Presumably sharing the same shareholder information with the parties under controlled or subordinated: none?
4. The businesses covered by whole affiliates' operations: designing, processing, testing, pre-burning treatment, producing and transacting for various IC; the export/import trading of the aforementioned materials and finished products; external investment.
5. Information of directors, supervisors, and general managers of affiliates

Name of corporation	Title	Name or representatives	Number of shares held	
			Shares (in thousand shares)	Shareholding Ratio
Sigurd International Co. Ltd. Sigurd International Co., Ltd.	Director	Shin-Yang Huang	30,254	100%
SIGURD MICROELECTRONICS (CAYMAN) CO., LTD.	Director	Shin-Yang Huang; Tsan-Lien Yeh; Min-Hung Wu; Hsu-Tung Kuo	35,503	78.33%
	Director	Cheng-Yu Chen	1,263	2.79%
	Director	Lian-Chang Jiang	8,558	18.88%
Sigurd Micro Electronics (Wuxi) Co.,Ltd	Director	Shin-Yang Huang; Min-Hung Wu; Hsu-Tung Kuo	—	—

Name of corporation	Title	Name or representatives	Number of shares held	
			Shares (in thousand shares)	Shareholding Ratio
Test-Serv Co., Ltd.	Director	Representative of Corporate Director of Sigurd Microelectronics Corporation. Representative: Min-Hung Wu (Chairman) Directors: Yu-Chi Pan, Jin-Chuan Sun, Jen-Ju Lin, Kuang-Shun Yang Representative of Supervisors, Sigurd Microelectronics Corporation: Chiao-Ling kuan	80,200	100%
Burgurd Co., Ltd. Burgurd Co., Limited	Director	Shin-Yang Huang	—	100%
Flusol Co., Ltd.	Director	Min-Hung Wu	—	100%
Hong Da Yang Electronics (Shenzhen) Co., Ltd.	Director	Tsan-Lien Yeh	—	100%
Bloomeria Limited Co., Ltd., Singapore	Director	Min-Hung Wu; Tsan-Lien Yeh	2,202,218	100%
Winstek Semiconductor Co., Ltd. Winstek Semiconductor Co., Ltd.	Director	Corporate Director of Bloomeria Limited Co., Ltd., Singapore Representatives: Shin-Yang Huang (Chairman); Tsan-Lien Yeh; Min-Hung Wu; Hsu-Tung Kuo; Chao-Hung Hsieh	70,694	51.88%
	Director	Chih-Li Weng	571	0.04%
	Independent Director	Jen-Yu, Wei, Min-Kai Lin, and Wen-chou Vincent Wang	—	—
Winstek Semiconductor Technology Co., Ltd. Winstek Semiconductor Technology Co., Ltd.	Director	Corporate Director of Winstek Semiconductor Technology Co., Ltd. Representatives: Shin-Yang Huang (Chairman); Min-Hung Wu; Chi-Li Weng	310,000	100%
Sigurd (Suzhou) Molelectron Technology Co., Ltd.	Director	Hsu-Tung Kuo (Chairman); Min-Hung Wu; Chao-Hung Hsieh; Hsu-Ming Tsou; Wen-Hao Su	—	100%
	Supervisors	Chi-Chang Chen	—	—
Ambersan Medical Technology Co., Ltd.	Chairman	Shu-Fen Liao	247.5	7.5%
	Director	Representative of Corporate Director of Sigurd Microelectronics Corporation: Shi-Hsin Hsu; Shin-Yang Huang; Tong-Lin Guan	1,815	55%
	Director	Advance Life Limited Representative: Yi-Peng Liang	990	30%
	Supervisors	Chi-Chang Chen	—	—
Flatek Co., Ltd.	Director	Representative of Corporate Director of Sigurd Microelectronics Corporation: Representatives: Tsan-Lien Yeh (Chairman); Hsu-Tung Kuo; Chao-Hung Hsieh	10,000	58.77%
	Director	Tsung-Yi Lin	3,843	22.59%

Name of corporation	Title	Name or representatives	Number of shares held	
			Shares (in thousand shares)	Shareholding Ratio
			Director	Shou-Kang Chen
Supervisors	Jen-Ju Lin	—	—	
OPS Electronics Limited	Director	Representative of Corporate Director of Flatek Co., Ltd.: Tsuan-Mu, Lin-Chen	10	100%
OPS Electronics (Shenzhen) Co., Ltd.	Director/Supervisor	Tsuan-Mu, Lin-Chen Supervisor: Chia-Hsing Huang	—	100%
TPfusion Technology Co., Ltd.	Director/Supervisor	Representative of Corporate Director of Flatek Co., Ltd.: Min-Hung Wu (Chairman); Tsung-Yi Lin; Jen-Ju Lin Supervisor: Chiao-Ling kuan	1,125	75%
TPfusion Corp.	Director	Representative: Tsung-Yi Lin (Chairman); Yasuhiko Mibashi	98	98%
Valuenet International Limited	Director	Tsuan-Mu, Lin-Chen	50	100%

## 6. Overview of affiliates' operations

Unit: NTD Thousand Dollars

Name of corporation	Amount of paid-up capital	Total amount of Total amount:	Total amount of debt Total amount:	Net value	Operating revenue	Operating incomes	this period value
Sigurd International Co., Ltd.	975,135	166,871	0	166,871	0	(83)	396
SIGURD MICROELECTRONICS (CAYMAN) CO., LTD.	14,662	171,925	13,890	158,035	0	(116)	2,482
Sigurd Micro Electronics (Wuxi) Co.,Ltd	911,278	151,415	1,797	149,618	0	(2,664)	1,944
Test-Serv Co., Ltd.	802,000	1,428,771	207,645	1,221,126	903,661	165,772	131,307
Flusol Co., Ltd.	804,506	743,169	567	742,602	0	(676)	(24,273)
Burgurd Co., Ltd. Burgurd Co., Limited	20,191	5,465	45,900	(40,434)	0	(1,189)	(2,076)
Hong Da Yang Electronics (Shenzhen) Co.,Ltd	45,249	70	0	70	0	(84)	(20)
Sigurd (Suzhou) Molelectron Technology Co., Ltd.	757,700	1,048,073	313,891	734,182	1,980	(14,578)	(22,432)
Ambersan Medical Technology Co., Ltd.	33,000	36,342	3,993	32,350	0	(653)	(650)
Bloomeria Limited Co., Ltd., Singapore	2,242,871	2,536,762	194	2,536,569	0	(805,061)	321,549
Winstek Semiconductor Co., Ltd. Winstek Semiconductor Co., Ltd.	1,362,617	5,326,319	686,182	4,586,049	340,921	134,261	567,643
Winstek Semiconductor Technology Co., Ltd. Winstek Semiconductor Technology Co., Ltd.	3,100,000	3,755,584	656,556	3,099,028	205,887	(123,487)	165,193

Name of corporation	Amount of paid-up capital	Total amount of Total amount:	Total amount of debt Total amount:	Net value	Operating revenue	Operating incomes	this period value
Flatek Co., Ltd.	170,160	293,812	147,901	145,911	84,425	(15,016)	(34,760)
OPS Electronics Limited	40	123,571	118,012	5,559	30,829	(5,526)	(18,571)
OPS Electronics (Shenzhen) Co., Ltd.	25,019	123,004	87,681	35,323	30,829	(5,526)	(18,710)
TPfusion Technology Co., Ltd.	15,000	31,030	137,394	(106,364)	12,269	(9,687)	(105,742)
TPfusion Corp.	6,684	30,500	128,730	(98,230)	12,269	(9,687)	8,857
Valuenet International Limited	1,575	71,410	19,698	51,712	5,092	5,026	7,487

Note 1: if an affiliate is a foreign company, the related figures are converted to NTD with the exchange rate of the report date. FX: USD (29.98); RMB (6.964)

Note 2: The operating revenue, operating income, and income/loss of the period is listed in NTD with the average FX rate of 2019:

USD (30.91); RMB (6.9114)

(II) Consolidated financial statements of affiliates: For Year 2019 (from January 1, 2019 to December 31, 2019), the companies to be consolidated pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” and the the companies to be consolidated pursuant to the IAS No. 27 are all the same. As the information to be disclosed in the consolidated financial statements of affiliates has been disclosed in the aforementioned consolidated financial statements of the parent company and subsidiaries, the consolidated financial statements of affiliates are not prepared separately; for the consolidated financial statements, please refer to Pages 93-173.

(III) Report of relationships: not applicable.

- II. Private placement of securities carried out by the Company during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report: none
- III. Holding or disposal of shares in this Company by the Company’s subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report: none
- IV. Other matters that require supplementary explanation: none.
- V. During the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, any of the situations listed in Article 36, Paragraph 2, Sub-paragraph 2 of the Securities and Exchange Act, which might materially affect shareholders’ interests or the price of the Company’s securities: none

Sigurd Microelectronics  
Corporation

Chairman: Shin-Yang Huang