



Sigurd Microelectronics Corporation

Annual Report

2020

SIGURD MICROELECTRONICS CORP. 2020 ANNUAL REPORT

Published on April 12, 2021

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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 consolidated annual report 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 annual report shall prevail.

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One. Report to Shareholders

I. 2020 Business Results

(I) Operating Results for 2020 Business Plan

In 2020, the revenue increased by 23.71% from 2019 to NT\$12,428,549 thousand, and net income after tax was NT\$1,926,589 thousand, representing an increase of 23.22% as compared to 2019.

(II) Target Achievement: The Company did not disclose financial forecasts in 2020.

(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 followed:

Item		Individual Financial Statements		Consolidated Financial Statements	
		2019	2020	2019	2020
Financial structure	Debts ratio %	44.61	47.62	45.37	49.87
	Long term funds to fixed assets %	187.25	171.42	169.87	142.70
Solvency	Current ratio %	129.21	103.22	194.46	145.87
	Quick ratio %	123.93	96.76	187.83	136.33
Profitability	Return on asset %	7.42	8.31	7.35	7.43
	Return on equity %	12.28	14.89	12.31	13.53
	Net profit margin %	21.11	21.22	15.56	15.50
	Earnings per share (EPS) (after adjustment of ordinary shares) (NT\$)	3.26	4.22	3.26	4.22

(IV) Research and development status

1. Review of 2020

- (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) Improved and upgraded the new generation RF IC automated test equipment which have gone into mass production.
- (5) 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).

- (6) Self-manufacturing of accessories of related testing equipment.
- (7) Upgraded and expanded equipment to adapt to the need of high-speed computing IC, such as bitcoin, graphics chip, and server chip.
- (8) Improved the 5-nanometer testing technology.

2. Prospects for the future (2021 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) Researching 5G mmWave and Antenna-in-Package, AiP testing technology.
- (4) 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.
- (5) Researching and developing IC packaging and testing technologies related to Augmented Reality (AR) and Virtual Reality (VR).
- (6) Development of integrated IC test technologies relevant to the IoT (Internet of Things).
- (7) Advancement of RF-related packaging and testing technologies, such as Wi-Fi 6/6E, WLAN SOC IC, Near Field Communication (NFC), and Wireless Power.
- (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) Exploration of 3 nm test technologies.
- (10) Expanding the integrated capacity of the WLCSP and improving related technical capabilities.
- (11) Application of GaN-related test technologies mass production.
- (12) Increase of automotive electronics and vehicle-to-everything-related IC test volume and maximization of the scope of certification.
- (13) Promotion of a smart factory and the width and depth of equipment automation and maximization of intelligent production.

II. 2021 Operation Plan

(I) 2021 Major Business Direction

In 2021, vaccination against COVID-19 goes a step further. It is expected that the pandemic will be controlled further and the global economy will gradually move towards recovery. Semiconductors were caught in a shortage in 2020. As such, manufacturers expanded their scale of production to increase their throughput. It is expected that the shortage in supply will be relaxed in 2021.

Related forecast institutes for the semiconductor industry followed one another to adjust their forecast about the growth momentum for semiconductors in 2021 upwards compared to 2020. Statistics of respective market intelligence and research institutes (IDC, WSTS, Gartner, VLSI Research, IC Insights) show a growth of 7.7%~12% in semiconductors around the world in 2021 compared to that in 2020. As such, Sigurd is prudent and careful, adopting a steady development policy to maximize the Company profit.

In 2021, 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 2021, will provide momentum to the expected sales volume and revenue, and thus remain cautiously optimistic.

(III) Important production and sales policies

In advent of 2021, 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. Development of test business for products with a high growth rate, such as 5G mobile phone IC, Wi-Fi, high-speed computing, artificial intelligence (AI), IoT, RF IC and automotive electronics in order to make better profits.
5. Increasing the number and proportion of foreign customers.
6. Promotion of test business for telecommunication IC and niche IC.
7. Strengthening the relationships with strategic alliances with customers.
8. Reviewing and adjusting uncompetitive product lines.
9. Paying attention to market trends and strive for IC businesses orders related to 5G products, vehicle electronics, Internet of Things and wearable devices.
10. Promotion of a smart factory and the width and depth of 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.

- (1) Timely adjustment of the organization: based on market and product conditions, timely adjusting the organization to adapt to changes.
- (2) The number of customers in the North American market increased in 2020 compared to 2019. Moreover, the development of Mainland China market has also produced good results. Therefore, in 2021, in addition to the original North American market, the Company also actively expands the Asian, Mainland Chinese, European, and Japanese markets.
- (3) Promotion of the throughput and customer base of Xixing (Suzhou).
- (4) Integrated 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 integrated 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 AP (3G/4G) and Wi-Fi SoC, 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 IC: such as 5G-related IC, AI, AP, Baseband SoC, GPS, Light sensor, Bluetooth, Touch Pad.
- (5) Computer-related ICs: such as graphics chip, USB, Type C, WLAN, touch panel IC, and et cetera.
- (6) Vehicle electronics ICs: such as sensor related IC and microprocessors. , vehicle-to-everything, etc.

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

3. Niche packaging

As electronic products move towards being lighter, thinner, shorter and smaller, the encapsulation technique is going miniature, too. To go with this trend, as far as encapsulation is concerned, Sigurd is shifting towards the WLCSP (Wafer level chip scale package)-related encapsulation technology. WLCSP encapsulation is smaller in size, costs less and is known for its high production yield. In addition, it offers strengths such as better coplanarity and heat dissipation capacity to 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

Originally, most semiconductor research institutes forecast that the future for the semiconductor is not as promising as it was due to COVID-19 and the US-China trade war, among others. As the pandemic is gradually getting controlled, in

addition to the economic recovery, semiconductors were caught in a shortage around the world. Encapsulation and test factories of Taiwan follow one another to disclose their preliminary planning for capital expenditure in 2021. While everything looks good, they remain cautious primarily to avoid the dilemma of excessive supply and undesirable pricing that was encountered in the past.

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) With the COVID-19 pandemic gradually getting controlled, the economy has taken a step further towards recovery.
- (4) The US-China trade war remains, which surprisingly drives relocation of production of semiconductor-related ICs to Taiwan.
- (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) Ever-stricter automotive waste gas emission criteria gradually turn vehicles towards energy conservation (hybrid or electric vehicles) and self-driving, which is conducive to the growth of vehicle electronic related ICs.
- (10) With the release of 5G spectrum, the demand for related equipment is gradually expanding.

2. Unfavorable factors:

- (1) Persisting factors such as COVID-19 and shortage in manpower are affecting the supply of raw materials and supplies and accordingly the production.
- (2) The cross-strait relations between Taiwan and Mainland China are still filled with variables.

(3)With semiconductors in shortage, if manufacturers go blind by expanding their facilities, once the shortage is no longer, there will be excessive throughput and accordingly the price-cutting competition.

For the above reasons, encapsulation and test factories remain optimistic yet cautious with their perspective about the economic outlook for 2021.

Shin-Yang Huang, Chairman

Two. Company Profile

I. Company Profile

Date of Establishment/Registration: December 15, 1988.

II. Company History

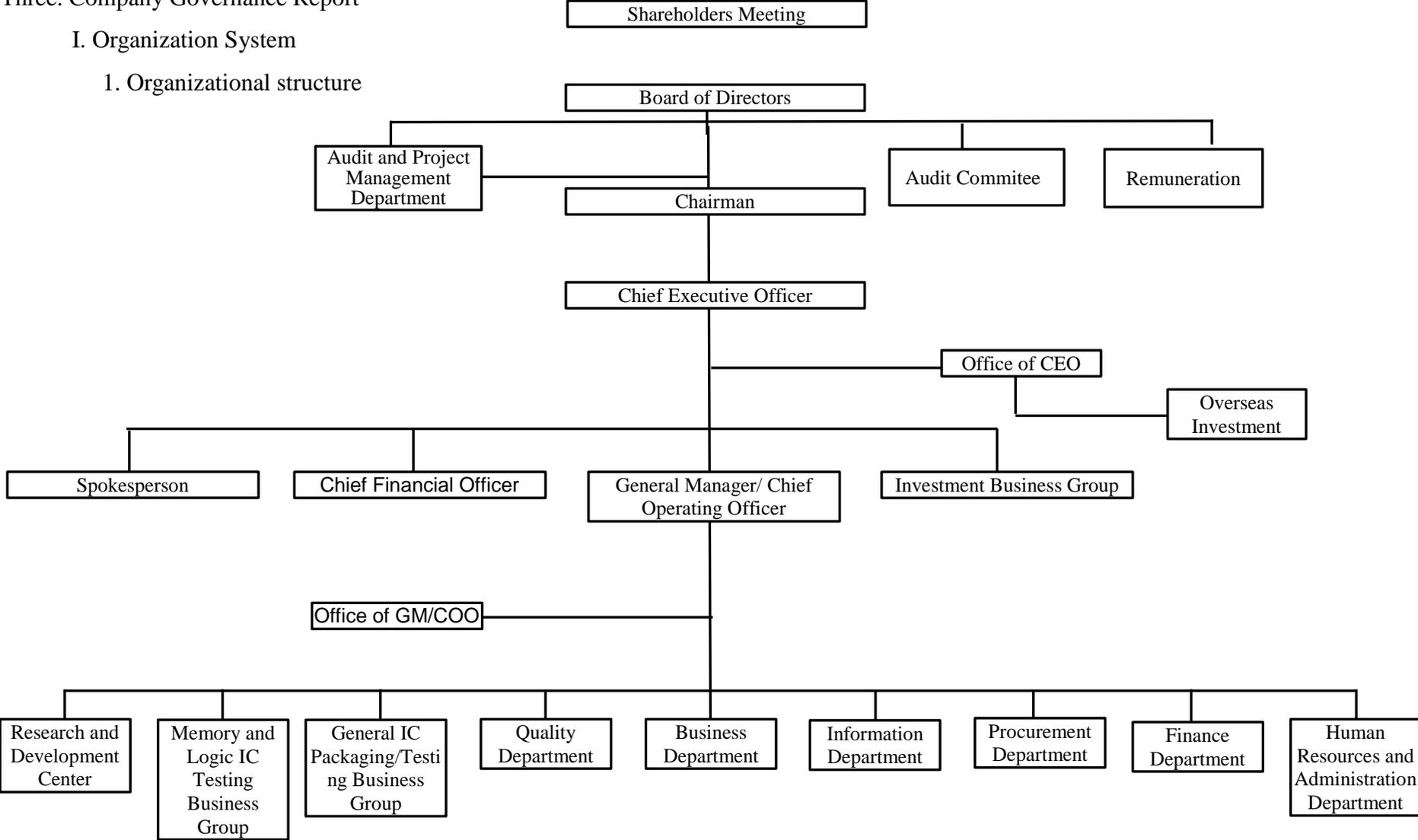
- 1988 The Company established (originally named: Giant Electronics)
- 1990 Official commencement of production and sales; packaged products from 8L to 40L
- 1992 Expand the plants to 500 ping; the occupied space and the total building space of plants became 1,200 pings
- 1994 Siliconware Precision Industries 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.
- 2021 On January 25, the board of directors approved the acquisition of all issued shares of

UTC Holdings Corporation from UTAC Taiwan Holdings (Cayman Islands) for an amount of US\$165 million in cash (approximately NT\$4.62 billion). The Company will indirectly obtain all the issued shares of UTAC (Taiwan) Corporation previously held by UTC Holdings Taiwan. The stock transaction was settled on April 14, 2021.

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 Memory and Logic IC Testing Business	In charge of the operation of Memory and Logic IC
General IC Packaging/Testing Business Group	In charge of the operation of General IC Packaging/Testing
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, Assistant 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	Nationality or registration location	Name	Gender	Date elected	Term	Date of first election (Note 2)	Shareholding when elected		Current shareholdings		Shares held by spouses and minor children		Shares held under others' names		Major experience and education (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 (Note 3)	Male	June 10, 2020	Three years	April 3, 2002	7,215,771	1.71	7,215,771	1.63	503,495	0.11	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	None	None	None	Note 2
Director/General Manager	Republic of China	Tsan-Lien Yeh (Note 4)	Male	June 10, 2020	Three years	May 18, 2004	3,409,633	0.81	3,409,633	0.77	82,955	0.02	0	0.00	Bachelor of Electrical Engineering, National Chiao Tung University GMBA, 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	None	None	None	None
Director/Senior Executive Vice President	Republic of China	Hsu-Tung Kuo (Note 5)	Male	June 10, 2020	Three years	June 13, 2008	1,978,879	0.47	1,931,879	0.44	0	0.00	0	0.00	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.	Senior Executive Vice President and General Manager of Business Group Director of Reinvested Company of Sigurd Microelectronics Corporation	None	None	None	None
Director/Chief Financial Officer	Republic of China	Min-Hung Wu	Male	June 10, 2020	Three years	August 19, 1998.	3,063,938	0.73	3,063,938	0.69	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.	None	None	None	None

Director	Republic of China	Wen-Yuan Lin (Note 6)	Male	June 10, 2020	Three years	June 15, 2017	1,968,457	0.47	2,000,457	0.45	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	None
Director	Republic of China	Ming-Chun Chiu (Note 7)	Male	June 10, 2020	Three years	March 22, 2000	5,791,769	1.37	5,791,769	1.31	1,031,976	0.23	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	None
Independent Director	Republic of China	Wen-Bin Wu (Note 8)	Male	June 10, 2020	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	Convener of the Compensation Committee and Audit Committee Chairman and General Manager of FineStar Technologies Inc. Independent Director and Convener of the Compensation Committee of Good Will Instrument Co., Ltd.	None	None	None	None
Independent Director	Republic of China	Chun-Rong Lu (Note 9)	Male	June 10, 2020	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	None
Independent Director	Republic of China	Min-Kai Lin (Note 10)	Male	June 10, 2020	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	None

Note 1: The Company re-elected its board of directors on June 10, 2020. Mr. Hsu-Tung Kuo was appointed as the new director, and the remaining directors were reappointed.

Note 2: 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.

Note 3: Mr. Shin-Yang Huang was firstly elected as a director on August 19, 1998; and elected as the Chairman on April 3, 2002.

Note 4: 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.

Note 5: On June 13, 2008, Mr. Hsu-Tung Kuo was elected as a director at the Annual General Meeting and resigned his position on May 4, 2018. He was re-elected as a director on June 10, 2020.

Note 6: 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.

Note 7 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.

Note 8 Mr. Wen-Bin Wu was elected as an independent director in the AGM on June 6, 2014.

Note 9: Note 9: Mr. Chun-Rong Lu has been an independent director for more than 9 years since his election at the Annual General Meeting on June 22, 2011. Mr. Chun-Rong Lu has extensive experience of the industry and provided valuable opinions to the Company during his time as the independent director. Therefore, the Company has continued to nominate and elect him as our independent director.

Note 10: Mr. Min-Kai Lin was elected as an independent director in the AGM on June 15, 2017.

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, 2020

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			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓		
Hsu-Tung Kuo*			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓		
Min-Hung Wu			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓		
Wen-Yuan Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Ming-Chun Chiu			✓	✓	✓		✓		✓	✓	✓	✓	✓	✓	✓		
Wen-Bin Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Chun-Rong Lu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Min-Kai Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

*The Company adopted the Audit Committee in 2017 to replace the existing role of Supervisors. On June 10, 2020, the Company re-elected its board of directors. Mr. Hsu-Tung Kuo was appointed as the new director and the remaining directors were reappointed.

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, 2021

Title	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 (Note 2)	Positions currently concurring in 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	1.63	503,495	0.11	—	—	MBA, College of Management, National Taiwan University General Manager of Schlumberger Co., Ltd.	Director of Reinvested Company of Sigurd Microelectronics Corporation	—	—	—	None
General Manager/ Chief Operating Officer	Republic of China	Tsan-Lien Yeh	Male	March 1, 2004	3,409,633	0.77	82,955	0.02	—	—	Bachelor of Electrical Engineering, National Chiao Tung University GMBA, 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	—	—	—	None
Vice Chief Operating Officer and General Manager of Business Group	Republic of China	Hsu-Tung Kuo	Male	June 12, 2006	1,931,879	0.44	—	—	—	—	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	—	—	—	None
Chief Financial Officer and Executive Vice General Manager	Republic of China	Min-Hung Wu	Male	April 8, 1997	3,063,938	0.69	—	—	—	—	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.	—	—	—	None
Senior Vice General Manager	Republic of China	Kuang-Shun Yang	Male	July 21, 2004	796,624	0.18	—	—	—	—	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.	—	—	—	None
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 Wintek Semiconductor Co., Ltd. Director of Sigurd (Suzhou) Moletron Technology Co., Ltd. Representative of Corporate Director of Flatek Co., Ltd.	—	—	—	None
Vice General Manager	Republic of China	Chin-Te, Kuo	Male	January 1, 2006	796,814	0.18	50,426	0.01	—	—	Department of Electronic Engineering, Minghsin College of Science and Technology	—	—	—	—	None

Title	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 (Note 2)	Positions currently concurring in 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	
											Section Head, Engineering Department, Holtek Semiconductor Inc.					
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.	—	—	—	None
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.	—	—	—	None
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.	—	—	—	—	Note 2
Senior Assistant General Manager	Republic of China	Jui-Chen Feng	Female	April 1, 2002	1,244,841	0.28	—	—	—	—	Master of Business Administration in Management of Technology, National Tsing Hua University Vice Manager of Procurement, Herhsiang Information Co., Ltd. Head of Administration, Landis and Gyr Communication, Co., Ltd.	—	—	—	—	None
Senior Assistant General Manager	Republic of China	Shi-Hsin Hsu	Male	March 1, 2004	403,336	0.09	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.	—	—	—	None
Assistant General Manager	Republic of China	Wei-Hua, Hsiung	Female	December 18, 2017	107,481	0.02	—	—	—	—	Department of Information Management, Chung Yuan Christian University Chief, Advantech Semiconductor Inc.	—	—	—	—	None
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.	—	—	—	—	None
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.	—	—	—	None

Note 1: Associate Mr. Wen-Gui Huang resigned on November 30, 2020.

Note2: 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								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		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)		After-tax earnings ratio of the sum of A, B, C, and D (Note 10)		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 (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
																		Amount in cash	Amount in shares		Amount in cash	Amount in shares						
Chairman	Shin-Yang Huang	-	-	-	-	6,261	10,613	-	-	0.35	0.60	22,582	22,582	-	-	20,522	-	20,522	-	-	-	-	-	-	2.77	3.01	None	
Director	Tsan-Lien Yeh	-	-	-	-	3,130	3,930	-	-	0.18	0.22	16,502	16,502	-	-	14,202	-	14,202	-	-	-	-	-	1.90	1.94	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, 2021; 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.

(1-2-2) 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	Consolidated Companies H	The Company	Consolidated Companies 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)	Hsu-Tung Kuo, Min-Hung Wu, Wen-Yuan Lin, Ming-Chun Chiu, Wen-Bin Wu, Chun-Rong Lu, and Min-Kai Lin	Hsu-Tung Kuo, 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)			Hsu-Tung Kuo, Min-Hung Wu	Hsu-Tung Kuo, 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	7	7	7	7

(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
		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	The Company		All the companies in the financial reports		The Company	All the companies in the financial reports	
								Cash Amount	Shares Amount	Cash Amount	Shares Amount			
Chief Executive Officer	Shin-Yang Huang	38,556	41,017	1,066	1,066	50,760	50,964	75,208	0	75,208	0	9.29	9.43	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 1: The remunerations to employees have been resolved by the Board of Directors on March 10, 2021; 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 648,000; 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
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)		
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Chin-Te, Kuo, Ching-Cheng Tien	Chin-Te, Kuo, Ching-Cheng Tien
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Hsu-Ming Tsou, Wen-Hao Su	Hsu-Ming Tsou, Wen-Hao Su
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	Kuang-Shun Yang	Kuang-Shun Yang
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	Hsu-Tung Kuo, Min-Hung Wu, Chao-Hung Hsieh	Hsu-Tung Kuo, Min-Hung Wu, Chao-Hung Hsieh
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	Shin-Yang Huang, Tsan-Lien Yeh	Shin-Yang Huang, Tsan-Lien Yeh
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)		
Over NT\$100,000,000		
Total	10	10

Note 1: The remunerations to employees have been resolved by the Board of Directors on March 10, 2021; 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) Compensation of the top five highest-paid executives individually disclosed for 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	84,581	84,581	4.74
	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				
	Senior/ Assistant General Manager	Ching-Cheng Tien				
		Jui-Chen Feng				
		Shi-Hsin Hsu				
		Wen-Gui Huang (Note 3)				
		Wei-Hua, Hsiung				
	Head of Accounting and Chief of Accounting Department	Wen-Hsien Lee				
		Chi-Chang Chen (Note 3)				

Note 1: The remunerations to employees have been resolved by the Board of Directors on March 10, 2021; 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: Served as Head of Accounting on March 11, 2020.

Note 3: Resigned on November 30, 2020.

(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, 2019	Total amount of remunerations to after-tax earnings ratio (%) of all companies in the financial report, 2019	Title	Total amount of remunerations to after-tax earnings ratio (%) of the Company, 2020	Total amount of remunerations to after-tax earnings ratio (%) of all companies in the financial report, 2020
Directors, supervisors, general managers, and vice general managers	12.18	12.77	Directors, general managers, and vice general managers	10.98	11.53

Note : This has been resolved by the Board of Directors on March 10, 2021; 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. State of the Company's Implementation of Corporate Governance

(I) (1) Board of Directors: Throughout 2020, 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	7	0	100%	
Director	Tsan-Lien Yeh	7	0	100%	
Director	Hsu-Tung Kuo (Note)	5	0	100%	
Director	Min-Hung Wu	7	0	100%	
Director	Wen-Yuan Lin	7	0	100%	
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 1: On June 10, 2020, Mr. Hsu-Tung Kuo was appointed as the new Director and the remaining directors were reappointed.

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: Not applicable. The Company has established an Audit Committee and is therefore subject to Article 14-5 of the Securities and Exchange Act.
 - (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. The independent directors do not hold an adverse or qualified opinion this year.
- 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, 2020 (March 10, 2020)	1. Proposal of distributing executive's remuneration and employee's compensation in 2019	Chairman Mr. Shin-Yang Huang, Director Mr. Tsan-Lien Yeh, Director Mr. Min-Hung Wu	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 2019	Chairman Mr. Shin-Yang Huang, Director Mr. Tsan-Lien Yeh, Director Mr. Min-Hung	are stakeholders	Due to conflict of interest, members abstained from discussion and voting on the

			Wu, Director Mr. Wen-Yuan Lin, Director Mr. Ming-Chun Chiu Independent Director Mr. Wen-Bin Wu, Independent Director Mr. Chun-Rong Lu, Independent Director Mr. Min-Kai Lin		proposal. The Acting Chairman appointed by the Chairman, Mr. Wen-Bin Wu, consulted with all directors present at the meeting and the resolution received consent without objection. Discussion about the independent directors' compensation involved a conflict of interest, members abstained from discussion and voting on the proposal. The Chairman consulted other attending members and the proposal received consent without objection.
2th Meeting of the Board of Directors, 2020 (April 30, 2020)	Proposal to distribute the remunerations/c ompensations to managers and the 2018 employee bonuses.	Chairman Mr. Shin-Yang Huang, Director Mr. Tsan-Lien Yeh, Director Mr. Min-Hung Wu, Director Mr. Wen-Yuan Lin, Director Mr. Ming-Chun Chiu Independent Director Mr. Wen-Bin Wu, Independent Director Mr. Chun-Rong Lu, Independent Director Mr. Min-Kai Lin	are stakeholders	Due to conflict of interest, members abstained from discussion and voting on the proposal. The Acting Chairman appointed by the Chairman, Mr. Wen-Bin Wu, consulted with all directors present at the meeting and the resolution received consent without objection. Discussion about the independent directors' compensation involved a conflict of interest, members	

				abstained from discussion and voting on the proposal. The Chairman consulted other attending members and the proposal received consent without objection.
6th Meeting of the Board of Directors, 2020 (August 6, 2020)	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, 2020 to December 31, 2020.	Self evaluation in the Board of Directors	<ol style="list-style-type: none"> 1. The understanding of the goals and missions of the Company 2. The awareness to the functions of directors 3. The participations to the Company's operation 4. The operations and communications of the internal operating relationship 5. The professional and continuing educations of directors 6. Internal controls

Implementation of evaluation to the Board of Directors: Before 2021 Q1, the Company conducts regular assessments through self-evaluation questionnaires once a year. The secretary units are responsible for implementing the assessments, and the board members are invited to conduct internal self-evaluations of the Board, the Directors, the Compensation Committee and the Application Review Committee. The implementation results of these assessments will be reported to the board on March 10, 2021.

- (I) The performance evaluation of the board includes items in five major aspects: participation in the operation of the Company, improvement of the quality of the board of directors' decision making, composition and structure of the board of directors, election and continuing education of the directors, and internal control.
- (II) The performance evaluation of individual directors include items in six major aspects: alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control.
- (III) The performance evaluation of functional committees include items in five major aspects: participation in the operation of the Company, awareness of the duties of the committee, improvement of the quality of the committee's decision making, composition and elections of committee members, and internal control.

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. At the Annual General Meeting on June 10, 2020, the Company re-elected all of its board of directors, along with the 2nd Audit Committee established, and 3 independent directors re-appointed. In 2020, 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	6	0	100%	
Independent Director	Chun-Rong Lu	6	0	100%	
Independent Director	Min-Kai Lin	6	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 10, 2020	The 18 th meeting of the 1 st Board of Directors	<ol style="list-style-type: none"> 1. Proposal of appointing/discharging the head of accounting 2. Proposal of the 2019 Internal Control Statement 3. Proposal of common share conversions requiring new share issuance, pursuant to the "Guidelines of the 2nd Domestic Unsecured Convertible Bonds" 4. Proposal of appointing the Company's certified public accountant, with regards to his/her independence and competency (including audit fee) 5. Proposal of amending the endorsement and guarantee operation procedure. 6. Proposal of revising the operating procedures for fund loaning 7. Amendment of the approved authority level 	All members in attendance approved the proposal without objection.	Approved by all board directors in attendance.
April 30, 2020	The 19 th meeting of the 1 st Board of Directors	<ol style="list-style-type: none"> 1. Proposal of selling the Company's machinery equipment to Sigurd Company. 2. Proposal of releasing non-competition restrictions on the newly elected board directors. 	The proposal was passed without objection by all attending members	Approved by all board directors in attendance.
June 23, 2020	The 1 st meeting of the 2 nd Board of Directors	<ol style="list-style-type: none"> 1. Proposal of updating the endorsement and guarantee of Sigurd (Suzhou) Molelectron Technology Co., Ltd. 2. Proposal of additional capital expenditure for 2020 	The proposal was passed without objection by all attending members	Approved by all board directors in attendance.
August 6, 2020	The 2 nd meeting of the 2 nd Board of Directors	<ol style="list-style-type: none"> 1. Proposal of common share conversions requiring new share issuance, pursuant to the "Guidelines of the 3rd Domestic Unsecured 	The proposal was passed without objection by all attending members	Approved by all board directors in attendance.

		Convertible Bonds” 2. Proposal of evaluating the Company’s progress to compile financial statements independently. 3. Proposal of amending the preparation process and managing operations of financial statements and consolidated financial statements 4. Proposal of disguised financing regulations		
November 5, 2020	The 3 rd meeting of the 2 nd Board of Directors	1. Proposal of evaluating the Company’s progress to compile financial statements independently. 2. Proposal of amending the management measures for accounting systems 3. Proposal of common share conversions requiring new share issuance, pursuant to the “Guidelines of the 3 rd Domestic Unsecured Convertible Bonds” 4. Proposal of the endorsement and guarantee of reinvested companies	The proposal was passed without objection by all attending members	Approved by all board directors in attendance.
December 23, 2020	The 4 th meeting of the 2 nd Board of Directors	1. Proposal of audit plan for 2020 2. Proposal of the material capital expenditures in 2020	The proposal was passed without objection by all attending members	Approved by all board directors in attendance.

(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 2020 (which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):

1. The Company’s Chief Audit Executive communicates with the independent directors regularly on the results of audit findings, and reports to the Audit Committee quarterly to present internal audit matters. The Chief Audit Executive may also report to the Audit Committee immediately if any material matters occur. The Company’s Chief Audit Executive maintains clear and open communication with the Audit Committee.
2. The accountant reports to the members of the Audit Committee irregularly on matters relating to the audit of the Company’s financial position. The accountant reports to the independent directors at least twice a year on the results and findings of the financial statements audits, financial accounting standards, and changes in relevant securities and tax regulations. The accountant will also report to the members of the Audit Committee immediately if any material matters occur. The Company’s certified accountant maintains clear and open communication with the Audit Committee.
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.	—
II. Shareholding Structure & Shareholders’ Equity				
(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 established measures and regulations to prevent insider trading, which prohibits company insiders from using information that is unavailable on the market to obtain improper benefits for themselves or others. The Company disseminates this information internally on an annual basis. Aside from regular announcements, the Company discloses guidelines on its website for managers and employees to check at their convenience. We also inform internal stakeholders on	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	
			significant matters that should be noted on an irregular basis. The Company provided educational courses to directors, managers, and employees on June 10, 2020 and October 30, 2020. The content of the courses included the confidentiality of important information, the causation of insider information, the identification process and examples of such transactions. Presentation slides from the courses are sent to directors, managers, and employees for reference.	
III. Composition and Responsibilities of the Board of Directors				
(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 judgement, accounting and finance, operating and managing, risk handling, as well as the industrial knowledge, views of international markets, leadership, and decision-making ability.	The "Corporate Governance Best Practice Principles" are conformed to without deviation.
(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?		✓	The Company has currently established the Compensation Committee and the Audit Committee; other committees may be established based on evaluations in the future.	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	✓		The Company's Board of Directors have approved the "Guidelines for Evaluating Performance of the Board of	—

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes
	Yes	No	Summary	
Directors, and uses the results as reference for directors' remuneration and renewal?			<p>Directors,"on August 7, 2019 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. Internal assessments are carried out at the end of the 2020 in accordance to the following measures to evaluate the annual performance. 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 (2)The enhancement of the quality of the Board of Directors' decision-making. (3) The composition and structure of the Board of Directors. (4) The professional and continuing educations of directors (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 (2) The awareness to the functions of directors (3) The participations to the Company's operation (4) The operations and communications of the internal operating relationship (5) The professional and continuing educations of directors (6) Internal controls.</p> <p>The following items are covered in the measurements of the evaluations against the performance of the Remuneration Committee and</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>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>The Company has completed the performance evaluation of the board, the directors, the Compensation Committee, and the Audit Committee by 2021 Q1. After receiving the questionnaires, the Company's secretary unit will analyze the previous data and present the self-evaluation results and directions for continuous</p>	

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes
	Yes	No	Summary	
			improvement to the 2 nd board meeting on March 10, 2021. Through these questionnaires, the directors may strengthen the effectiveness of the board, which in turn enhances the overall competitiveness of the Company and builds the confidence of market investors.	
(IV) Does the Company regularly evaluate its external auditors' independence?	✓		<p>The Audit Committee of our Company evaluates the independence and competency of its certified public accountants annually, and submits the assessment results to the board of directors for further approval. Our evaluation methods regarding the accountant's independence are as follows:</p> <ol style="list-style-type: none"> 1. The Company's accountant shall not be related or engage in any form of employment with the board of directors. 2. The Company's accountant shall have no other interest or business dealings with the Company except for audit or tax assurance engagements. 3. The Company handles the rotation of its accountants in accordance with relevant regulations. 4. The Company obtains the accountant's declaration of independence annually. <p>On March of 2021, The Audit Committee and the board of directors of the Company evaluated the independence of its accountants, both accountant Chih-Cheng Hsieh and Tsai-Yen Jiang met the independence criterion.</p>	The "Corporate Governance Best Practice Principles" are conformed to without deviation.
IV. Has the Company allocated suitable and sufficient corporate governance staff and appointed corporate governance manager responsible for corporate governance matters (including, but not limited to, furnishing information required for business execution by directors, assisting directors in complying with laws and	✓		The Company expects to appoint corporate governance manager and set up a unit before the end of June in 2021. The appointed manager and unit will be responsible for corporate governance related matters (including, but not limited to,	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	
regulations, handling matters related to board and shareholder meetings in accordance with the laws, producing meeting minutes of board and shareholder meetings, etc.)?			furnishing information required for business execution by directors, handling matters related to board of directors and shareholder meetings in accordance with the laws, handling company registration and alteration registration, producing meeting minutes of board and shareholder meetings, etc.).	
V. Has the Company established a means of communicating with its Stakeholders (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 set up several reporting channels such as employee mailboxes, spokesperson mailboxes, and direct lines for shareholders, customers, suppliers and the general public to get in touch with. Stakeholders may reach out and communicate with the Company's responsible personnel at all times should the need arises. In addition, the Company has established sections for "Stakeholders" on its website for investors' further reference. The Company seeks to actively maintain open communication with its stakeholders to understand their needs and expectations through several reporting lines. These actions may also serve as an important reference for the Company to establish its corporate social responsibility policies and other relevant projects.	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	The "Corporate Governance Best Practice Principles" are conformed to without
VII. Information Disclosure				
(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	✓		The "Investors" section set up at the Company's website, and the information regarding its	The "Corporate Governance Best Practice Principles" are conformed to without

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and their Causes
	Yes	No	Summary	
to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?)			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.	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?			The Company disclosed its financial statements for the fiscal year ending 2020 on March 10, 2021, earlier than the specified deadline required by law. The Company will disclose its Q1, Q2, Q3 financial statements and monthly performance reports as soon as possible within the specified timeline, so as to provide transparency with company information and enable investors to understand the Company's performance results.	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"> 1. The Company has established the working rules of employees, and the content is enforced thoroughly, to protect the employees' interests. 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. 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. 4. Employees' interests and care for them: the Company has always taken the approaches of mutual benefits and win-win for 	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>harmonious labor relations. The managerial systems are handled pursuant to the labor related laws and regulations.</p> <p>5. Investor relationship: the Company has the spokespersons and deputy spokespersons system in place, to maintain the 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>	

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes
	Yes	No	Summary	
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.				

Continuing Educations Taken by the Directors:

Date	Courses taken	Hours of Education (Hours)	Participant
September 24, 2020	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 theory and applications of blockchain technology	3	Independent Director, Wen-Bin Wu and Min-Kai Lin
November 5, 2020	Taiwan Corporate Governance Association - The Impact of the U.S.-China Trade and its Implications on Taiwanese Funded Enterprises	3	Chairman Mr. Shin-Yang Huang, Director Mr. Tsan-Lien Yeh, Director Mr. Hsu-Tung Kuo, Director Mr. Min-Hung Wu, Director Mr. Wen-Yuan Lin, Director Mr. Ming-Chun Chiu, Independent Director Mr. Wen-Bin Wu, Independent Director Mr. Chun-Rong Lu, Independent Director Mr. Min-Kai Lin
November 5, 2020	Taiwan Corporate Governance Association – Case Analysis on Dispute in Management Rights	3	Chairman Mr. Shin-Yang Huang, Director Mr. Tsan-Lien Yeh, Director Mr. Hsu-Tung Kuo, Director Mr. Min-Hung Wu, Director Mr. Wen-Yuan Lin, Director Mr. Ming-Chun Chiu, Independent Director Mr. Wen-Bin Wu, Independent Director Mr. Chun-Rong Lu, Independent Director Mr. Min-Kai Lin

(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)	Name	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 otherwise necessary for the business of the company	1	2	3	4	5	6	7	8			9
Independent Director	Wen-Bin Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Comply with the conditions
Independent Director	Chun-Rong Lu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Comply with the conditions
Independent Director	Min-Kai Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Comply with the conditions

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 conditions 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. Responsibilities of the Compensation Committee: The extent of the committee's authority includes developing and reviewing the performance assessments of directors and managers, as well as the policies, system, structure, and standards of compensation periodically. The Committee have evaluated and determined the salary of board directors and managers regularly.
3. Operations of the Remuneration Committee
- (1) The Compensation Committee of the Company is appointed by a board resolution with a total of three members, one of whom is the convener.
- (2) Term of the Members in the Intake: From June 23, 2020 to June 09, 2023; During 2020, 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.
- III. The discussion and resolution results of the Company's Compensation Committee, and the Company's handling of the committee members' opinions for 2020 are as follows:

Board of Directors/Audit Committee/Date	Meeting	Description of proposal	Resolutions of the Remuneration Committee	The Company's treatment to the Remuneration Committee's opinions
March 10, 2020	9th Meeting, 3rd Intake	1. Proposal of the Company's 2019 earnings distribution for remuneration to managers and employees 2. Proposal of the Company's 2019 earnings distribution for remuneration to directors	The proposal was passed with consents of all attending members	Approved by all board directors in attendance.
August 6, 2020	1st Meeting, 4th Intake	Proposal of the Company's earnings distribution for remuneration to managers.	The proposal was passed with consents of all attending members	Approved by all board directors in attendance.

March 10, 2021	2nd Meeting, 4 th Intake	1. Proposal of the Company's 2020 earnings distribution for remuneration to managers and employees. 2. Proposal of the Company's 2020 earnings distribution for remuneration to directors.	The proposal was passed with consents of all attending members	Approved by all board directors in attendance.
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(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	No significant deviation

		<p>environment changes.</p> <ol style="list-style-type: none"> 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 	
(III) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?	✓	<p>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, to ensure the sustainable development of the environment.</p>	No significant deviation
(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?	✓	<p>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</p>	No significant deviation

			environmental laws and regulations, and confirm the final disposal of the wastes.	
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	✓		Other than providing a healthy and safe workplace to the	No significant deviation

<p>working environment, with regular safety and health training?</p>			<p>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 Company provides health information from time to time, to promote and help the self-check management of the employees.</p>	
<p>(IV) Has the Company established effective career development training plans?</p>	<p>✓</p>		<p>The Company provides effective career capabilities cultivation programs to our employees.</p>	<p>No significant deviation</p>
<p>(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?</p>	<p>✓</p>		<p>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.</p>	<p>No significant deviation</p>
<p>(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?</p>	<p>✓</p>		<p>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,</p>	<p>No significant deviation</p>

			compliance, health and safety mechanism, among other things, as the key reference when selecting suppliers.	
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	
I. Establishment of ethical corporate management policy and programs				
(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	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	
			violations and the appealing system. All these are implemented, and the aforesaid programs are regularly reviewed and amended, with implementation, review, and amendment.	
II. Consolidation of Ethical Corporate Management				
(I) Has the Company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?	✓		In the "Procedures for Ethical Management and Guidelines for Conduct," 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 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)?	✓		The RBA Promotion Committee is the dedicated unit taking charge of promotion, and reports the implementation to the Board of Directors on a regular basis.	Conformed to
(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
III. Reporting System of the Company				
(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 undisrupted 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

Assessment Items	Implementation Status			Deviations to the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and their Causes
	Yes	No	Summary	
(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
IV. Reinforced Information Disclosure				
(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.				
(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.				

(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 2020

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 2020.

(IX) Implementation of the Internal Control System:

1. If CPA was engaged to conduct a special audit of the internal control system, provide its audit report: not applicable.
2. Internal Control System Statement

Sigurd Microelectronics Corporation

Internal Control System Statement

Date: March 10, 2021

Based on the findings of a self-assessment, Sigurd Microelectronics Corporation states the following with regard to its internal control system during the year 2020:

- 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, 2020, 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, 2021, with none of the nine 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

- (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 10, 2020	Adoption of the 2019 Business Report and Financial Statements.	Handled based on the ratified matters in the AGM
	Ratification of the 2019 proposal for earning distribution	Handled based on the ratified matters in the AGM The meeting of the Board of Directors was convened on June 23, 2020, for the matters related to the dividend decision/distribution/completion. The ex-dividend transaction date was decided on July 27, 2020; the period of transfer suspension was July 29, 2020 to August 2, 2020. Base date of dividend distribution: August 2, 2020 Expected date of paying cash dividends: August 14, 2020 Period of conversion suspension of CB3 in 2020: July 8, 2020 to August 2, 2020. II. Proposal to adjust the shareholders' cash bonus distribution percentage for 2019 (adjusted to NT\$1.10004406) III. Proposal to adjust the price of the 3rd domestic unsecured convertible bond. (From NT\$36.6 to NT\$34.8)
	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\$1.10004406 per share)
	Approved the proposal to revise the rules of procedure for shareholders' meeting Approved the proposal of amendments to the Procedures for Providing Endorsements/Guarantees.	After receiving approval from the shareholders' meeting, the Company updated and disclosed the revised rules of procedure for the shareholders' meeting and the operating procedures for endorsements to the designated public information website and the Company's official website on June 29, 2020. Relevant matters

		will be processed in accordance with the revised procedures.
	Election of 9 directors (including 3 independent directors)	The amendment was approved by and registered with MOEA, and the related operations would be handled pursuant to the amended procedures on July 22, 2020.
	Proposal of releasing non-competition restrictions on newly elected board directors	Actions will be taken according to the discussion from the Annual General Meeting.

2. Board of Directors

Date of Meeting	Key Contents
1st Meeting of the Board of Directors, 2020 March 10, 2020	<ol style="list-style-type: none"> 1. Report on the Company's early conversion of 2nd domestic unsecured convertible bonds 2. Proposal of the 2019 annual operational report and financial statements 3. Proposal of the 2019 earnings distribution 4. Proposal of the capital surplus paid in cash 5. Proposal of appointing/discharging the head of accounting 6. Proposal of revising the endorsement guarantee procedures 7. Proposal of the re-election of all board directors 8. Proposal of drafting the date and relevant matters of the 2020 Annual General Meeting
2nd Meeting of the Board of Directors, 2020 April 30, 2020	<ol style="list-style-type: none"> 1. Proposal of reviewing the nominated independent directors' qualifications and confirming the candidate list 2. Proposal of selling the Company's machinery equipment to Sigurd Company 3. Proposal of releasing non-competition restrictions on board directors
3rd Meeting of the Board of Directors, 2020 June 10, 2020	Proposal for the Chairman election
4th Meeting of the Board of Directors, 2020 June 23, 2020	<ol style="list-style-type: none"> 1. Proposal of appointing the members of the 4th Compensation Committee 2. Proposal of updating the endorsement guarantee of Sigurd (Suzhou) Molelectron Technology Co., Ltd. 3. Proposal of additional capital expenditure in 2020
5th Meeting of the Board of Directors, 2020 August 6, 2020	Proposal of the Company's 2020 earnings distribution in the first half of the fiscal year
6th Meeting of the Board of Directors, 2020 November 5, 2020	Announcement of the Company's 2020 Q3 consolidated financial statements reported to the Board
7th Meeting of the Board of Directors, 2019 December 23, 2020	<ol style="list-style-type: none"> 1. Proposal of the 2021 Audit Plans 2. Proposal of the 2021 Budget (including operation plans)

(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

December 31, 2020

Title	Name	Date of inauguration	Date of discharge	Reason of resignation or discharge
Head of Accounting	Min-Hung Wu	March 14, 2019	March 10, 2020	Internal position adjustment
	Chi-Chang Chen	March 11, 2020	-	Internal position adjustment

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	Hsieh, Chih-Cheng	Tsai-Yen Jiang	January 1, 2020 to December 31, 2020	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: None.
- (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	Hsieh, Chih-Cheng Tsai-Yen Jiang	7,360	0	561	0	950	1,511	January 1, 2020 to December 31, 2020	Business registration \$561, investments/statute for industrial innovations/tax consultations \$600, investments of undistributed earnings \$16, consultation fee of sales tax audit using direct deduction method \$80, undistributed earnings \$100, and others \$154

(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, 2020.		
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, manages, or shareholder with 10% more shareholding in the most recent fiscal year up to the printing date of the annual report.

1. Share Transfer

Unit: share

Title	Name	2020		The year up to April 12, 2021	
		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	0	0	0	0
Director/General Manager	Tsan-Lien Yeh	0	0	0	0
Director and General Manager of the Business Group	Hsu-Tung Kuo (Note 2)	(47,000)	0	0	0
Director/Executive Vice General Manager	Min-Hung Wu	0	0	0	0
Director	Wen-Yuan Lin	180,000	0	0	0
Director	Ming-Chun Chiu	0	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	0	0	0	0
Senior Vice General Manager	Kuang-Shun Yang	0	0	0	0
Vice General Manager	Chin-Te, Kuo	0	0	0	0
Senior Vice General Manager	Chao-Hung Hsieh	0	0	0	0
Vice General Manager	Hsu-Ming Tsou	0	0	0	0
Vice General Manager	Wen-Hao Su	0	0	0	0
Vice General Manager	Ching-Cheng Tien	0	0	0	0
Senior Assistant General Manager	Jui-Chen Feng	(300,000)	0	0	0
Senior Assistant General Manager	Shi-Hsin Hsu (Note 4)	—	—	—	—
Assistant General Manager	Wen-Gui Huang(Note 3)	0	0	0	0
Assistant General Manager	Wei-Hua, Hsiung	0	0	0	0
Assistant General Manager	Wen-Hsian Lee	—	—	0	0
Head of Accounting	Chi-Chang Chen(Note 1)	0	0	0	0

Note 1: Mr. Chi-Chang Chen was appointed as the new Head of Accounting on March 11, 2020.

Note 2: The Company re-elected its board of directors on June 10, 2020. Mr. Hsu-Tung Kuo was appointed as the new director, and the remaining directors were reappointed.

Note 3: Associate Mr. Wen-Gui Huang resigned on November 30, 2020.

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

Note 6: Shareholders holding 10% or more shares of the Company shall be specified as major shareholders, and listed individually: None.

2. Information of stock trade and stock pledge counterparts as related parties:

Name (Note 1)	Reason of share transfer (Note 2)	Date of transaction	Counterpartie s	The relationship between directors, supervisors, managers, and the shareholder holding 10% or more shares	Number of shares	Transactio n 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. Information of stock pledge counterparts as related parties: None.

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	
Yann Yuan Investment Co., Ltd.	13,000,000	2.94	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Taiwan Cooperative Bank, Ltd.	8,894,000	2.01	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Shin-Yang Huang	7,215,771	1.63	503,495	0.11	Not applicable	Not applicable	None	None	None
Dedicated account of Norges Bank Investment Management in custody by Citibank Taiwan	6,978,447	1.58	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Dedicated Account of LSV Emerging Market Equity Fund Limited Partnership in custody of Bank of Taiwan	6,124,000	1.38	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	5,804,585	1.31	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Ming-Chun Chiu	5,791,769	1.31	1,031,976	0.23	Not applicable	Not applicable	None	None	None
Investment Account of Vanguard Emerging Markets Stock Index, under custody of Taipei Branch, JP Morgan	5,038,546	1.14	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Investment Account for Credit Suisse under the custody of Standard Chartered Bank (Taiwan) Ltd.	4,789,000	1.08	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
IShares Core MSCI Emerging Markets ETF under the custody of Standard Chartered Bank (Taiwan) Ltd.	4,053,700	0.92	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, 2020

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%
Sigurd (Suzhou) Molelectron Technology Co., Ltd.	—	—	Note	100%	Note	100%
Ambersan Medical Technology Co., Ltd.	3,630	55%	—	—	3,630	55%
SIGURD MICROELECTRONICS (CAYMAN) CO., LTD.	—	—	35,503	78.33%	35,503	78.33%
Sigurd Micro Electronics (Wuxi) Co.,Ltd	—	—	Note	78.33%	Note	100%
Bloomeria Ltd, Singapore	2,202,218	100%	0	0	2,202,218	100%
GE-XING Co., Ltd.	200	0.65%	30,737	99.35%	30,937	100%
Winstek Semiconductor Co., Ltd.	—	—	70,769	51.93%	70,769	51.93%
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	100%
OPS Electronics Limited	—	—	10	100%	10	100%
TPfusion Technology Co., Ltd.	—	—	1,125	75%	1,125	75%
Valuenet International Limited	—	—	50	100%	50	100%
TPfusion Corp.	—	—	98	98%	98	98%
OPS Electronics (Shenzhen) Co., Ltd.	—	—	Note	100%	Note	100%

Four. Status of Fundraising

I. Source of Share Capital

(I) Source of Share Capital

April 12, 2021

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
May 2020	10	700,000,000	7,000,000,000	421,510,394	4,215,103,940	Common shares converted from domestic convertible bonds for NTD 57,383,770	None	Note 1
July 2020	10	700,000,000	7,000,000,000	421,510,394	4,215,103,940	Change the term of board directors	None	Note 2
September 2020	10	700,000,000	7,000,000,000	423,513,732	4,235,137,320	Common shares converted from domestic convertible bonds for NTD 20,033,380	None	Note 3
January 2021	10	700,000,000	7,000,000,000	430,444,727	4,304,447,270	Common shares converted from domestic convertible bonds for NTD 69,309,950	None	Note 4
April 2021	10	700,000,000	7,000,000,000	442,611,334	4,426,113,340	The domestic convertible bonds converted to common stock amounted to \$121,666,070	None	Note 5

Note 1: On May 4, 2020, the change to the paid-up capital amount was approved by Letter Jing-Shang-Shou-Zhi No. 10901070150

Note 2: July 22, 2020, FSC Document No. 10901116350: approval to change the term of board directors

Note 3: On September 2, 2020, the change to the paid-up capital amount was approved by Letter Jing-Shang-Shou-Zhi No. 10901167310.

Note 4: On January 6, 2021, the change to the paid-up capital amount was approved by Letter Jing-Shang-Shou-Zhi No. 10901249680.

Note 5: As of April 12, 2021, the alteration has not been registered with the Ministry of Economic Affairs

Categories of Issued Shares

April 12, 2021

Categories of Shares	Approved Share Capital			Note
	Outstanding Shares (Listed Company)	Unissued shares	Total	
Common Shares (share)	442,611,334	257,388,666	700,000,000	Listed Shares

Information related to the shelf registration system: not applicable

(II) Structure of Shareholders

April 12, 2021

Quantity \ Structure of Shareholders	Governmental agencies	Financial institutions	Other legal persons	Individuals	Foreign institutions and foreigners	Total
Number of persons	0	10	359	69,337	209	69,915
Shares held (share)	0	16,027,000	34,691,813	293,332,877	98,559,644	442,611,334
Shareholding Ratio	0%	3.62%	7.83%	66.28%	22.27%	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, 2021

Range of Shareholding	Number of shareholders	Number of shares held	Shareholding Ratio
1 ~ 999	27,881	1,281,790	0.29%
1,000 ~ 5,000	32,112	66,418,159	15.01%
5,001 ~ 10,000	5,171	40,740,528	9.20%
10,001 ~ 15,000	1,598	19,544,852	4.42%
15,001 ~ 20,000	943	17,535,907	3.96%
20,001 ~ 30,000	799	20,276,412	4.58%
30,001 ~ 40,000	370	13,242,940	2.99%
40,001 ~ 50,000	261	12,073,713	2.73%
50,001 ~ 100,000	424	30,070,858	6.79%
100,001 ~ 200,000	170	23,809,216	5.38%
200,001 ~ 400,000	81	23,155,938	5.23%
400,001 ~ 600,000	33	15,868,351	3.59%
600,001 ~ 800,000	17	12,336,736	2.79%
800,001 ~ 1,000,000	11	9,717,151	2.20%
Over 1,000,001	44	136,538,783	30.84%
Total	69,915	442,611,334	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 2021, no shareholder holds share of 5% or more; the top ten shareholders are as the following:

April 12, 2021

Name of the Major Shareholders	Shares held (share)	Shareholding Ratio (%)
Yann Yuan Investment Co., Ltd.	13,000,000	2.94
Taiwan Cooperative Bank, Ltd.	8,894,000	2.01
Shin-Yang Huang	7,215,771	1.63
Dedicated account of Norges Bank Investment Management in custody by Citibank Taiwan	6,978,447	1.58
Dedicated Account of LSV Emerging Market Equity Fund Limited Partnership in custody of Bank of Taiwan	6,124,000	1.38
Investment Account of PGIA Advanced Comprehensive International Stock Index, under custody of the Taipei Branch, JP Morgan	5,804,585	1.31
Ming-Chun Chiu	5,791,769	1.31
Investment Account of Vanguard Emerging Markets Stock Index, under custody of Taipei Branch, JP Morgan	5,038,546	1.14
Investment Account for Credit Suisse under the custody of Standard Chartered Bank (Taiwan) Ltd.	4,789,000	1.08
IShares Core MSCI Emerging Markets ETF under the custody of Standard Chartered Bank (Taiwan) Ltd.	4,053,700	0.92

- (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		
		2019	2020	
Market price per share	Highest	39.70	48.5	
	Lowest	26.15	27.2	
	Average	31.55	38.89	
Net value per share	Before distribution	32.15	34.63	
	After distribution	29.95	Note	
Earning per share	Weighted average shares (in thousand shares)	396,649	422,912	
	Earning per share	3.26	4.22	
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)		2.20	2.9(Note)
	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	11.38	10.72	
	Price to dividend ratio	16.86	15.6	
	Yield of cash dividend	5.93	6.41	

Note: The Company has not yet convened the AGM to decide whether to distribute the capital reserve in cash for 2020.

(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\$2.9 cash dividend per share, including NT\$2 from earnings and NT\$0.9 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 2020 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\$2.9 cash dividend per share, including NT\$2 from earnings and NT\$0.9 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, 2021, the Board of Directors of the Company approved to issue employee remuneration of NT\$218,000,000, and Directors' remuneration of NT\$30,000,00 and for 2020. The total amount will be paid in cash. The amount resolved is identical to the amount recognized in 2020.

4. Actual remunerations for employees and for directors and supervisors distributed for the previous year:

Distribution	Previous year (2019)				
	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 153,500,000	NTD 153,500,000	—	—	—
2. Stock bonus to employees					
(1) Number of shares	—	—	—	—	—
(2) Amount	—	—	—	—	—
(3) Share price	—	—	—	—	—
3. Remunerations to directors and supervisors	NTD 25,000,000	NTD 25,000,000	—	—	—

(IX) Buyback: none

II. Corporate bond handling

(I) Outstanding and pending corporate bonds

Type of corporate bonds	3rd Unsecured Convertible Bond	2021 1 st Secured Ordinary Corporate Bond (Domestic)
Issue Date	October 15, 2019	March 29, 2021
Face value	NTD \$ 1,000,000	NTD \$1,000,000
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.	Issued at par 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 amount: NTD \$3 billion Number of issued bonds: 3,000
Interest rate:	Coupon rate is 0%	The coupon rate is a fixed rate of 0.58%
Term	Three years Expired on: October 15, 2022	Five years Expired on: October 15, 2026
Guaranteed by:	Not applicable	Not applicable
Trustee	CTBC Bank Co., Ltd.	CTBC Bank Co., Ltd.
Underwriter	KGI Securities Co., Ltd.	Mega 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 cash at once based on the bond's face value.	1. Maturity: 5 years 2. Repayment: Bullet repayment on the 5 th year of the issued date 3. Principal and interest repayment agency: The Company has entrusted Mega International Commercial Bank Co., Ltd. Hsinchu Branch as an agent for the repayment of bond principal and interest. The agency also handles the transfer of principal and interest payments by preparing and sending out the withholding payment vouchers to bondholders based on the registered securities holder list provided by the Taiwan Depository and Clearing Corporation.
Outstanding principals	One Billion and Two Hundred Million New Taiwan Dollars	NTD \$3 billion
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

Type of corporate bonds		3rd Unsecured Convertible Bond	2021 1 st Secured Ordinary Corporate Bond (Domestic)
With other rights	Up to the printing date of the annual report (March 31, 2021), the amount of the converted common shares	Converted CB3: 7,353 Converted common shares: 21,100,940 NT\$211,009,400	The Company's bonds are calculated and paid once a year based on the simple coupon rate from the date of issuance. A joint bank guarantee is provided, with Mega International Commercial Bank acting as the lead bank and a total of 11 banks, which are Taiwan Cooperative Bank, First Commercial Bank, Hua Nan Commercial Bank, Yuanta Commercial Bank, Shin Kong Commercial Bank, Agriculture Bank of Taiwan, Taishin International Bank, Chang Hwa Commercial Bank, and the Shanghai Commercial & Savings Bank, jointly guaranteeing 15%, 10%, 10%, 10%, 10%, 10%, 10%, 8.33%, 6.67%, 5% and 5% of the total issued amount respectively under the joint appointment contract and obligations contract for bond guarantees.
	Guidelines of Issuance and Conversion (Exchange or Subscription)	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.	The purpose of these funds is to repay loans from financial institutions and to increase working capital. Raising funds through ordinary corporate bonds can provide a long-term source of capital and avoid dilution of earnings per share, which will help improve the competitiveness of our business and reduce operational risks. Since the interest rate is at a relatively low level, the burden of interest is insignificant and will not have a material impact on earnings per share.
Custodian where the underlying exchange is trusted		Not applicable	Not applicable

Note: The Company issued the 2nd domestic unsecured convertible bonds in 2017 and the bonds matured on April 24, 2020. Due to the date falling on the book closure period of 2020, bondholders were required to apply for bond conversion no later than April 9, 2020. As of April 10, 2020, 11,996 CB2 conversions were made, with 46,023,851 common shares converted. The remaining 4 unsecured convertible bonds were not yet converted into common stock. The convertible bonds were discharged on April 27, 2020, and the Company paid the recovery price to the remaining bondholders on May 8, 2020.

- (II) Corporate bonds expire within a year: Not applicable
- (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, 2021 the information of the 2nd and 3rd domestic unsecured convertible bonds issued by the Company is as the following:

Unit: NT\$

Bond Issued Type		3 rd Unsecured Convertible Bond	
Year		2020	From the beginning of the current year until March 31, 2021
Market value of convertible bonds	Highest	134.50	155.00
	Lowest	103.00	131.00
	Average	118.24	143.00
conversion price		36.6~34.80	34.80
Issued (Processed) date and the conversion price at issuance (\$NTD)		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. The conversion price was adjusted to NT\$34.8 on August 2, 2020.	The conversion price was NT\$34.8
Method to perform the conversion obligation		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: Not applicable.

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

1. The plan for offering and issuance of marketable securities (issuance of new shares through cash capital increase and issuance of the 3rd domestic unsecured convertible bonds) and an overview of its estimated potential benefits:

(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) In 2020 Q3, the Company estimated to spend \$1,152,562 thousand NTD on the purchase of machinery and equipment. Since the procurement and payment progress was moving ahead of schedule, the actual cumulative spending in 2020 Q3 amounted to \$1,688,596 thousand NTD, with the execution progress reaching 101.4%. The plan to raise funds for the purchase of machinery and equipment was completed in 2020 Q3 due to an early payment and procurement schedule. No changes to the plan occurred.

Unit: NTD Thousand Dollars; %

Project item	Total required amount of funds	Status of execution		2020 Q3	As of 2020 Q3
		Amount used	Expected		
Purchase of machinery equipment	1,665,000	Amount used	Expected	423,486	1,152,562
			Actual	240,961	1,688,596
		Progress of execution (%)	Expected	25.43	69.22
			Actual	14.5	101.4

2. The plan for offering and issuance of marketable securities (1st secured ordinary corporate bonds in 2021) and an overview of its estimated potential benefits:

(1) The exchangeable securities issuance

① Total required amount of funds: \$3 billion NTD.

② Source of funding: Issued the 1st secured ordinary corporate bonds in 2021; the required amount of funds and the predestinated fund usage are as follows:

Unit: NTD Thousand Dollars

Project item	Scheduled completion date	Funding amount	Progress of the expected fund use			
			2021			
			Q1	Q2	Q3	Q4
Loan repayment to financial institutions	2021 Q2	2,230,000	1,845,000	385,000	-	-
Replenishments of working capital	2021 Q2	770,000		770,000		
Total		3,000,000	1,845,000	1,155,000	-	-

(3) Implementation progress: The progress of planned projects and actual fund usage in 2021 Q1

Unit: In Thousands of New Taiwan Dollars

Project item	Total funding amount	Status of execution		As of 2021 Q1
Repayment of bank loans	2,230,000	Spending amount	Expected	1,845,000
			Actual	2,230,000
		Progress of the fund used	Expected	82.74%
			Actual	100.00%
Replenishments of working capital	770,000	Spending amount	Expected	0
			Actual	0.00%
		Progress of the fund used	Expected	0
			Actual	0.00%
Total	3,000,000	Spending amount	Expected	1,845,000
			Actual	2,230,000
		Progress of the fund used	Expected	61.50%
			Actual	74.33%

Source: Provided by the specified Company

- (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	2019		2020	
	Net amount of operating revenue	Weight %	Net amount of operating revenue	Weight %
Packaging	2,008,550	19.99	2,662,669	21.42
IC	6,911,283	68.79	9,554,552	76.88
Service income	1,099,785	10.95	161,815	1.30
Trading	27,001	0.27	49,513	0.40
Total	10,046,619	100.00	12,428,549	100.00

3. Current products (services) offered by the Company

- (1) Testing services for various IC and wafers
- (2) RF module testing.
- (3) 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) Enhance the 5G SoC sub-6 IC testing technology for mobiles
- (2) Research and develop the 5G SoC mm-wave IC for mobiles
- (3) Research and develop the 5G millimeter wave (mmWave) antenna package AiP tests
- (4) Research and develop the IC testing technology for 5G related equipment
- (5) With the expanding application and growing demand for AI (Artificial Intelligence), the Company is working with various research institutions and companies in the related industry to enhance its packaging and testing technology.
- (6) Research on Augmented Reality (AR) and Virtual Reality (VR) related IC packaging and testing.
- (7) Develop IoT (Internet of Things) related integrated IC packaging and testing technology.
- (8) Develop RF related packaging and testing technology such as Wi-Fi 6/6E, WLAN SoC ICs, NFC (Near Field Communication) and Wireless Power (wireless charging).
- (9) Elevate the development of IC integration testing technology in image: 3D decoding ICs, 3D body sensing SoC ICs and 8K4K (7680×4320 resolution) audio/video decoding IC related testing technology.
- (10) Explore 3nm and 5nm packaging and testing technology.
- (11) Expand the integrated backend production capacity of WLCSP and enhance relevant technological capabilities.
- (12) Research on GaN-related testing technology.
- (13) Research on IC packaging and testing technology for automotive electronics

and Internet of Vehicles.

(14) Planning smart factory and equipment automation

(II) Overview of the Industry

1. Current circumstance and development

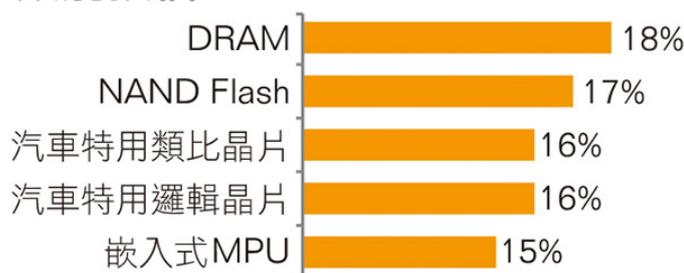
(1) The status and developments of the global semiconductor industry:

In 2020, the global economy was affected by the pandemic. Various countries implemented border controls and lock-down measures to control the spread of the virus, further suppressing the growth of the economy. According to IMF, the global economic growth rate in 2020 was estimated at -3.5%. Fortunately, the pandemic has driven the rise of remote working, teleconferencing and distant learning, creating a new economic effect from the stay-at-home economy. Coupled with the impact of the U.S.-China trade war, regional changes in the semiconductor supply chain has led to further demands for semiconductor.

Looking ahead to 2021, stimulated by the accelerated vaccination and more fiscal stimulus, IMF increased its estimated economic growth rate for 2021 from a forecast of 5.3% in October 2020 to 5.6% on January 26, 2021.

(2) While the economy has begun to recover, the impact of the U.S.-China trade war has not been mitigated, with severe shortage in the semiconductor supply chain. Looking ahead to 2021, despite the favorable business prospects such as the escalating 5G market penetration and the Tokyo Olympics, the global IC market is expected to grow by about 12% to US\$441.5 billion compared to 2020. Market research institution, IC Insights, also predicts that memory, automotive chips and embedded microprocessors (MPUs) are expected to be among the top five strong growing products in the global IC market in 2021. However, due to the severe shortage of automotive chips, whether or not there will be a spillover effect will become a phenomenon worthy of attention in the semiconductor market in 2021.

2021年全球前五大年增率IC產品類別預估



資料來源：IC Insights • DIGITIMES整理 • 2021/2

The Forecast of Global Top Five IC Products in Terms of Annual Growth Rate 2021, by Categories	
DRAM	18%
NAND Flash	17%
Analogue Chips Specific for Automobiles	16%
Logic Chips Specific for Automobiles	16%
Embedded MPU	15%
Source: IC Insights, DIGITIMES compilation, Feb 2021	

2021年全球IC市場成長預估

項目	2020	2021 (f)	YoY
IC 市場	3,957 億美元	4,415 億美元	12%
IC 出貨量	3,181 億顆	3,502 億顆	10%
IC 產品平均 售價(ASP)	1.24 美元	1.26 美元	1%
半導體 資本支出	1,091 億美元	1,250 億美元	15%

資料來源：IC Insights • DIGITIMES整理 • 2021/2

The Forecast of Global IC Market Growth, 2021			
Item	2020	2021(f)	YoY
IC Market	USD395.7 billion	USD441.5 billion	12%
IC Shipment	318.1 billion pieces	350.2 billion pieces	10%
ASP of IC Products	USD1.24	USD1.26	1%
Semiconductor Capex	USD109.1 billion	USD125.0 billion	15%

Source: IC Insights, DIGITIMES compilation, Feb 2021

Source: Electronics, February 8, 2021

- (3) 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. 2. 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.

According to the Industrial Technology Research Institute, the production value of Taiwan's semiconductor industry is expected to have a shot at reaching \$3.5 trillion NTD in 2021.

Production Value of IC Industry in Taiwan, 2017-2021

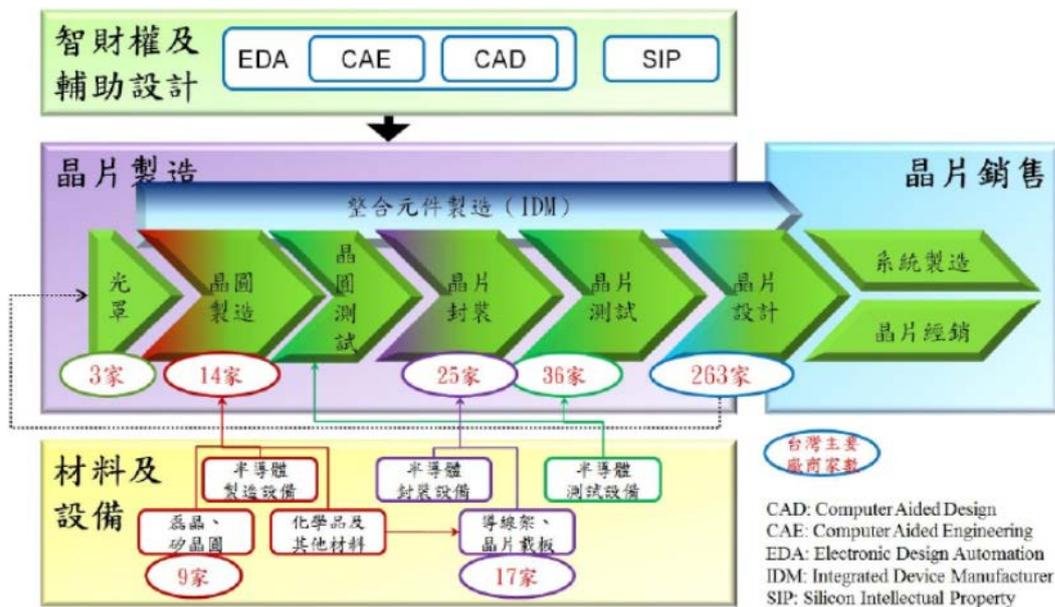
in million TWD	2017	2017 Growth rate	2018	2018 Growth rate	2019	2019 Growth rate	2020	2020 Growth rate	2021 (e)	2021 (e) Growth rate
Production Value of IC Industry	24,623	0.50%	26,199	6.40%	26,656	1.70%	32,222	20.90%	34,981	8.60%
IC design	6,171	-5.50%	6,413	3.90%	6,928	8.00%	8,529	23.10%	9,459	10.90%
IC manufacture	13,682	2.70%	14,856	8.60%	14,721	-0.90%	18,203	23.70%	19,657	8.00%

Wafer OEM	12,061	5.00%	12,851	5.00%	13,125	2.10%	16,297	24.20%	17,675	8.50%
Memory and other fabrications	1,621	-11.80%	2,005	23.70%	1,596	-20.40%	1,906	19.40%	1,982	4.00%
IC packaging	3,330	2.80%	3,445	3.50%	3,463	0.50%	3,775	9.00%	4,025	6.60%
IC testing	1,440	2.90%	1,485	3.10%	1,544	4.00%	1,715	11.10%	1,840	7.30%
Production Value of IC Products	7,792	-6.90%	8,418	8.00%	8,524	1.30%	10,435	22.40%	11,441	9.60%
Global semiconductor market (100 million USD) and growth rate (%)	4,122	21.60%	4,688	13.70%	4,123	-12.00%	4,404	6.80%	4,883	10.90%

Source: TSIA; ISTI (Feb 2021)

- 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.

Structure Chart of Taiwan Semiconductor Industry



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

3. 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, 2021): in 2020, the expenses were NT\$422,555,000; up to March 31, 2021, the expenses were NT\$99,324,000
2. Technologies or product successfully developed:

Year	Outcomes of R&D
2017	1. Establishment of production processes for DPS multi die 2. Establishment of production processes for DSP multi bin 3. Development and design of packaging structure of COL 4. Establishment of production processes for 3 mil slim chips 5. The paper regard the dynamic adjusting the self-screening during the testing process was published on ITC
2018	1. MIS baseboard structure design and development 2. R&D of the new type RF switch module
2019	1. Developed and established GaAs 5G DPS P&P technology 2. Developed Skeleton wafer automatic inspecting machine, and introduced to the mass production 3. 24GHz radar IC testing program

(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 (Such as 5G, internet, automotive electronics, WLCSP, DPC, etc.)
- (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: With electronics becoming lighter and smaller, the packaging technology is also moving towards miniaturization. As a result, the Company and its subsidiaries have upgraded its packaging technology in WLCSP (Wafer level Chip Scale package) and DPS (Die Processing Service) in response to the current trend. WLCSP packaging not only offers small size and high production yields, but also provides better planarity and thermal dissipation for high-speed and power management circuits.
- (2) Testing:
 - ① Integration and Niche Testing
Sigurd has acquired the technologies and experience in Mixed Signal, Logic, Sensor, Memory, RF, and Power testing over years of hard work. Based on its effort, Sigurd is moving towards integration and Niche products in line with the market trend.
 - ② Integrated testing

As IC products become more and more complex, it can no longer be simply divided into Mixed Signal, Logic, Sensor, Memory, RF, and Power. The current trend has been moving toward the integrated IC. Sigurd has accumulated years of testing experience with confidence in products such as SOC (mobile phone, 3G, 4G; Wi-Fi SOC), and has built a solid foundation for the future of 5G-related IC packaging and testing technology. Sigurd has accumulated years of testing experience with confidence in products such as SOC (mobile phone, 3G, 4G; Wi-Fi SOC), and has built a solid foundation for the future of 5G-related IC packaging and testing technology.

③Niche Testing

- A. High speed computation ICs: Bitcoin, graphics processing unit, and server chip.
 - B. Communication ICs: IC related to 5G communication devices, GPS, Wi-fi SoC (Bluetooth and MCU integrated).
 - C. Audio/Video ICs: Blu-ray disc, 3D, 4K2K and 8K4K image decoding ICs, HDMI, and HDTV controlled ICs.
 - D. Mobile phone ICs: 5G related ICs, AI, AP, Baseband SoC, GPS, Bluetooth, Touch Pad, touch panel ICs.
 - E. Computer ICs: Such as graphics processing unit, USB3.2/USB4.0, Type C, WLAN, touch panel ICs, etc.
 - F. Automotive ICs: Such as Internet of Vehicles, related sensors, microprocessors, etc.
 - G. In addition, Sigurd is also strengthening its developments in overseas clients with hopes of seeing results in the future.
- (V) Overview of the macro economic environment and the trend of the industry where the Company operates
- 1. Macroeconomic Environments: Control of the COVID-19 pandemic and shortage in the semiconductor supply chain will become the focus of observation in 2021. 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		2019		2020	
		Amount	%	Amount	%
Domestic		5,199,122	51.75	7,529,163	60.58
Export	Asia	3,670,982	36.54	3,273,279	26.34
	Americas	599,005	5.96	767,606	6.18
	Other	577,510	5.75	858,501	6.91
Subtotal of export		4,847,497	48.25	4,899,386	39.42
Total		10,046,619	100.00	12,428,549	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 9.65% in 2020, and the Taiwan market share of Sigurd and the subsidiaries grew marginally from 2.20% in 2019 to 2.26% in 2020.

Year	Operating revenue (NT\$ 100 million)	Production value of Taiwanese IC packaging/testing industry (NT\$ 100 million)	Market share
2019	100.47	5,007	2.01%
2020	124.28	5,490	2.26%

3. Future supply, demand and growth in the market: According to the survey conducted by the Industrial Technology Research Institute, the pandemic has driven strong demand in the stay-at-home economy with lasting effects through 2021. The packaging and testing industry in Taiwan has seen a revenue growth of 6.83%. According to DIGITIMES, the production value of the packaging and testing industry in Taiwan is expected to grow by 9.2% in 2021 compared to 2020, exceeding US\$20 billion.
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 in 2007. 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. In November 2020, our first packaging and testing facility in Taiwan was certified by SGS TÜV for the ISO 26262: 2018 ASIL D process (Part 2, 7, 8). This ensured that our testing and manufacturing services could meet the safety and integrity requirements of the automotive industry. We are committed to developing testing services that meet the strictest requirements for road safety and becoming a leading international packaging and testing foundry for functional safety verifications.

- (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 7% for 2021, with rather strong domestic market demands, driving a wave of demand for electronics (such as mobile phones, LCD TV, and so on).
 - ④ Chinese cell phone brands such as OPPO, VIVO, and Xiaomi are gradually gaining a foothold in the global cell phone market. The Company is expected to grow significantly with access to emerging markets outside of China such as India, Russia, and Brazil, etc., and impacts under the Huawei Ban
 - 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 5G, 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 The new fuel consumption regulations will lead to the gradual development of energy-saving (hybrid or electric vehicles) and self-driving vehicles, which

is beneficial to the growth of automotive electronics ICs.

- ⑩ After the commercialization of 5G, the demand for 5G mobile phones and related equipment gradually grew, with the market penetration rate exceeding expectations.c

(2) Unfavorable factors:

- ① Due to the lack of widespread vaccination and the emergence of new virus variants, the control over COVID-19 remains ineffective. The global supply chain has not yet resumed its normal operations, which in turn affects the end-user demand.
- ② With the U.S.-China trade war still underway, even with China’s claims of economic growth reaching more than 7% in 2021, there are still problems such as the COVID-19, capital outflows, soaring bad debts, declining housing demand, and production overcapacity. 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 Under the influence of geopolitics and semiconductor shortages, European countries and the U.S. are thinking about building their own semiconductor supply chain to avoid semiconductor shortages destabilizing their economy.

(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 2020 from 2019, and thus other than expanding the North America market, we also actively expand the markets in Asia, China, Europe, and Japan in 2021.
- ② Enhance the partnership between the upstream and downstream, such as wafer plants and equipment plants.
- ③ By using big data, the Company seeks to improve production efficiency and quality to enhance its 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.
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			Normal
	Advanced Assembly Materials Singapore Pte Ltd. (Renamed in November 2020)		V	
	Shunde	V		Normal
	Li-Fan	V		Normal
	Possehl		V	Normal
Gold wire	Nimao	V		Normal
	TAIWAN TANAKA KIKINZOKU KOGYO CO., LTD		V	Normal
	M.K.Electron		V	Normal
Compound	Chang-Hua	V		Normal
Adhesive	Chang-Hua	V		Normal
	Ablestik/Henkel		V	Normal
	Hitachi		V	Normal
	Showa Denko Materials (HK) (Renamed in November 2020)			Normal
Tape	MITSUI & CO. (Taiwan), LTD.	V		Normal
	LINTEC Corporation	V		Normal
	Tape Pro Co., Ltd.	V		Normal

(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	2019				2020			
	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	B	85,424	17.26	None	B	74,591	10.79	None
2	A	38,700	7.82	None	A	52,597	7.61	None
3	K	37,033	7.49	None	K	44,991	6.51	None
4	H	28,403	5.74	None	H	43,686	6.32	None
	Other	305,247	61.69	None	Other	475,389	68.77	None
	Purchase Net Amount	494,807	100		Purchase Net Amount	691,254	100	

Reasons for increase or decrease: The change in supplier is mainly due to subsidiary companies adding new suppliers for the purchase of materials.

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

Unit: NTD Thousand Dollars

Item	2019				2020			
	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	H	2,061,752	20.52	None	A	2,248,136	18.09	None
2	A	1,207,892	12.02	None	B	1,354,237	10.90	None
3	D	678,007	6.75	None	E	1,317,872	10.60	None
4	Other	6,098,968	60.71	None	Other	7,508,304	60.41	None
	Sales Net Amount	10,046,619	100.00		Sales Net Amount	12,428,549	100.00	

Reasons for increase or decrease: The increase was primarily due to the growing demand for wireless communication products and mobile phones, while the decrease was mainly due to the impact caused by the revenue consolidation with Winstek.

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

Unit: thousand pieces; thousand NTD

Major Products	Year Production Volume and Value	2019			2020		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Packaging		769,147	615,318	1,905,258	1,890,296	1,512,237	2,082,523
Testing (Note)		4,912,747	3,930,197	5,015,533	5,254,794	4,203,835	6,603,555
Service (thousand hours)		23	19	79,966	39	31	71,690
Trading				6,400			61,428
Total				7,007,157			8,819,196

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 Sales Volume and Value	2019				2020			
		Domestic		Export		Domestic		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Packaging		744,902	689,673	412,549	1,318,877	775,271	794,254	736,966	1,868,415
Testing (Note)		2,934,229	3,873,473	1,246,644	3,037,810	3,794,095	6,634,152	1,037,352	2,920,400
Service income		6	608,975	12	490,810	20	100,757	11	61,058
Trading		-	2 7,001	-	-	-	-	8,963	49,513
Total		3,679,137	5,199,122	1,659,205	4,847,497	4,569,386	7,529,163	1,783,292	4,899,386

Note: Wafer tests and IC tests are included

Reasons for increase or decrease: The impact of COVID-19 has driven the effect of the stay-at-home economy, reflecting the surging demand for end-use applications such as cellphones, computers, internet, video game consoles, automotive electronics, artificial intelligence, etc. As a result, the growth of customers in Taiwan has significantly increased.

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		2019	2020	The year and up to March 31, 2021 (Note)
Number of employees	Direct employees	1,686	1,997	2,077
	Indirect employees	1,401	1,652	1,677
	Managerial personnel	356	354	351
	Total	3,443	4,003	4,105
Average age		34.5	37.1	37.1
Average tenure (month)		50.3	61.4	62.4
Distribution of education background	PhD	0.1%	0.1%	0.2%
	Masters	4.8%	5.1%	5.2%
	College	64.4%	62.6%	61.2%
	Senior high school	27.9%	29.3%	29.1%
	Under senior high school	2.8%	2.8%	4.4%

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):

1. On July 17, 2019, the Environmental Supervision Team of the North District inspected the equalization tank for wastewater treatment of Zhongxing Plant, with findings that the current water treatment did not meet the requirement. On August 3, 2020, the Environmental Protection Bureau of Hsinchu County ruled that a fine of NT\$90,000 was imposed for violating Article 14 of the Water Pollution Control Act. Future countermeasures:

(1) On June 14, 2019, the plant's submission of documents to the County regarding modifications to prevent and control water pollution was reviewed and approved, and has met the omission standards.
(2) If the internal production process of the plant is altered, an application form for the alteration of the environmental sanitation project and an environmental protection testing report shall be submitted. Only after the environmental protection regulations are met upon examination and the permits are approved, can the alterations of the production process be carried out.

2. On July 17, 2019, the Environmental Supervision Team of the North District inspected the wastewater sludge of Zhongxing Plant, which had inconsistencies with the current permit for waste disposal. On May 19, 2020, the Environmental

Protection Bureau of Hsinchu County ruled that a fine of NT\$60,000 was imposed for violating Article 31 of the Waste Disposal Act.

Future countermeasures:

- (1) Modify the plan of waste cleaning and environmental assessments, and request qualified manufacturers to clear and transport the sludge after examination.
 - (2) Conduct annual inspections of the wastewater sludge and verify the content of the waste disposal permit according to the inspection report to prevent the same situation from happening.
- (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 proper 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: We are committed to the welfare of our employees:
 - (1) Annual raise/holiday bonus (Dragon Boat Festival, Mid-Autumn Festival, Spring Festival) /high operational performance bonus /favorable profit sharing plan for employees.
 - (2) Free regular health inspections for employees / favorable group insurance plan for family members (spouse/children/parents).
 - (3) Birthday gifts/holiday vouchers/wedding and funeral subsidies/travel subsidies/year-end party/recognition of long-term employees/various employee benefits and activities.
 - (4) Providing meal allowance for lunch/employee cafeteria/health center/private nursing room/staff dormitory/staff lounge/ car and motorcycle parking space/convenience store/basketball court/gym.
 - (5) Well-developed education and training system and performance-oriented promotion.
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 207 courses provided, for a total of 545hours with 22,755 employees trained.

Course item	Times of course	Total hours	Persons trained
Management training	10	32	120
Department expertise training	140	284	1,650
Quality training	32	124	11,585
General knowledge training	4	5	8,602
Employee growth and occupational health and safety training	9	16	208
Orientations for new employees	12	84	590
Total	207	545	22,755

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) Agreements between employers and employees: Regular labor-management meetings are held, where representatives of both employers and employees discuss relevant issues between employers and employees and set up suggestion boxes and complaint boxes to allow sufficient communication between employers and employees; consensus is achieved on work life, production, and working conditions to achieve harmonious labor-management

objectives.

(2) Protection measures of employee interests:

- ① 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.
- ② A staff welfare committee is established to carry out various types of employee welfare activities with the purpose of seeking maximum benefits for staff and creating a quality environment for work-life balance.
- ③ The Company upholds the training policy of “Knowledge inheritance, professional training, and diversified development,” and strives to improve the overall knowledge, skills, and work attitude of its staff through diversify methods of teaching. Every year, in addition to new staff orientation, on-the-job training, and professional skills training, we also arrange training courses on different topics (such as language and conversation courses, quality enhancement courses, etc.) to align with the Company’s business objectives. Employees may arrange adequate external training according to their job requirements.
- ④ A health organization is established to promote and maintain wellness management and occupational healthcare for employees, and was recognized by the Health Promotion Administration with an award for Excellent Workplace Vitality and an award for Healthy Senior Citizens.
- ⑤ Established an employee assistance program and a dedicated employee hotline to provide comprehensive assistance to employees.

5. Fulfillment to the CSR:

- (1) The Company sets policies and procedure in compliance with regulations and internationally recognized human rights principles: We abide by labor regulations and respect internationally recognized basic labor human rights principles, and is committed to protecting the legitimate rights and interests of employees and upholding the non-discriminatory employment policies, etc. We have established appropriate management methods, procedures and regulations with actual implementations; internal appointment methods are established to regulate the personnel employment principles to safeguard employee rights..
- (2) We provide employees with a safe and healthy working environment, with regular health and safety training. Implementations are as follows: ① Periodical health and hygiene brochures ② Delivery of health lectures ③ Regular guidance and discussions from onsite doctors provided to individual employees ④ Regular health checkups and four cancer screenings ⑤ Periodic workplace visits and identification of hazard factors to prevent occupational diseases ⑥ Provision of health centers, nursery rooms, and health care with specialized medical personnel ⑦ Hazard identification and risk assessment of the factory environment ⑧ Periodic management and inspection of factory machinery or equipment ⑨ Periodic testing of the operational environment ⑩ Regularly conduct education and training regarding employee’s safety and health issues, hazard awareness, emergency response (including firefighting), and first aid emergency ⑪ Contractor’s safety and health management and training ⑫ Occasional promotion of occupational safety and matters related to health.
- (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 promotion of industry-academic cooperation: Sigurd has long been committed to industry-academic cooperation. By collaborating with the Ministry of Education through the Industry-Academia Collaboration Program and the government's New Southbound Policy, we are working with universities and colleges to offer special classes in collaboration with the industry, courses for foreign students and expatriate students, and by providing internship opportunities and mentorships, etc. With the Company's resources, we have donated and established scholarships, donated equipment for teaching, and cultivated students' professional abilities to bridge the gap between academia and industry. The Ministry of Education has also recognized our industry-academia cooperation on a press conference for our outstanding achievements in cultivating practical talents for the industry.
 - (5) Community involvement and public welfare: Apart from creating a quality work environment, the Company actively participates in community and public welfare activities. In addition to making donations to various public welfare organizations and disaster-relief funds, we have donated police cars and cleaning vehicles to help improve the environment of the community, with an accumulated donation of over \$10 million NTD. In combination with our welfare activities, we have also led children from remote areas to participate in activities that fulfilled their dreams.
6. Employee benefits or interests actually improved from the previous year (Year 2020 up to the printing date of the annual report): 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 2021 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	November 5, 2019 to November 5, 2022	Credit facilities	—
		October 17, 2018 to October 17, 2023	Mortgage	Machinery equipment
	Taishin International Commercial Bank	June 8, 2020 to June 28, 2023	Credit facilities	—
	CTBC Bank	May 31, 2020 to May 31, 2022	Mortgage	Property, Plant and Equipment
	Hwa-Nan Commercial Bank	November 12, 2019 to November 15, 2024	Credit facilities	—
		July 31, 2020 to July 31, 2022	Credit facilities	—
	Taipei Fubon Commercial Bank	March 25, 2021 to March 25, 2024	Credit facilities	—
	Changhua Commercial Bank	May 21, 2019 to May 21, 2022	Credit facilities	—
	O-Bank	April 27, 2018 to April 27, 2023	Credit facilities	—
	KGI Bank	July 31, 2020 to July 31, 2023	Credit facilities	—
		December 7, 2018 to July 31, 2023	Mortgage	Machinery equipment
	Shanghai Commercial Bank	May 25, 2020 to May 25, 2025	Credit facilities	—
	Entie Commercial Bank, Ltd.	February 24, 2021 to February 24, 2024	Credit facilities	—
	JihSun International Commercial Bank	May 16, 2019 to May 16, 2022	Credit facilities	—
	Citibank	September 10, 2020 to September 10, 2022	Credit facilities	—
	SK Bank	January 17, 2019 to January 17, 2022	Credit facilities	—
Mega Commercial Bank	June 11, 2018 to June 10, 2023	Mortgage	Machinery equipment	
	June 1, 2020 to December 1, 2025	Credit facilities	—	
Agricultural Bank of Taiwan	June 3, 2019 to June 3, 2022	Credit facilities	—	

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				
		2016	2017	2018	2019	2020 (Note 1)
Current assets		4,842,108	4,631,580	5,214,389	6,999,706	7,401,926
Property, plant and equipment		6,110,734	5,943,166	6,467,789	7,957,026	9,956,610
Intangible assets		19,248	12,788	25,508	22,878	23,900
Other assets		2,215,571	4,112,707	4,237,739	5,337,634	6,856,140
Total amount of assets		13,187,661	14,700,241	15,945,425	20,317,244	24,238,576
Current liabilities	Before distribution	2,359,736	3,027,160	3,222,293	5,417,482	7,171,073
	After distribution	2,950,744	3,712,436	3,625,869	5,881,162	Note 1
Non-current liabilities		2,825,075	3,249,436	2,856,138	3,646,108	4,371,186
Total amount of liabilities	Before distribution	5,184,811	6,276,596	6,078,431	9,063,590	11,542,259
	After distribution	5,775,819	6,961,872	6,482,007	9,527,270	Note 1
Equity Attributable to Shareholders of the Parent		8,002,850	8,423,645	9,828,636	11,253,654	12,696,317
Share capital		3,598,865	3,600,162	3,899,558	4,206,834	4,316,114
Capital reserve		254,048	304,475	811,273	923,672	715,446
Retained earnings	Before distribution	4,204,557	4,598,390	5,166,079	6,089,115	7,380,612
	After distribution	3,613,549	3,913,114	4,762,503	0	Note 1
Other equity		(12,613)	(44,788)	(48,274)	34,033	284,145
Treasury stocks		(42,007)	(34,594)	0	0	0
Non-controlling equity		—	—	—	—	—
Total of equity	Before distribution	8,002,850	8,423,645	9,828,636	11,253,654	12,696,317
	After distribution	7,411,842	7,738,369	9,425,060	10,789,974	Note 1

Source: The financial statement audited by the certified public accountant..

Note 1: The proposal of dividend distribution for 2020 has been approved by the Board of Directors on March 10, 2021, with dividends remaining undistributed.

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

Year		Information of finance over the past five years				
		2016	2017	2018	2019	2020 (Note 1)
Item						
Current assets		6,079,271	9,561,235	9,659,268	12,975,111	13,038,629
Property, plant and equipment		6,666,486	8,294,962	9,078,438	10,643,730	14,629,289
Intangible assets		138,205	172,674	134,985	112,245	101,740
Other assets		569,999	631,158	598,058	1,021,977	2,044,253
Total amount of assets		13,453,961	18,660,029	19,470,749	24,753,063	29,813,911
Current liabilities	Before distribution	2,527,737	5,056,460	4,047,743	6,672,432	8,938,619
	After distribution	3,118,745	5,826,975	4,451,319	7,136,112	Note 1
Non-current liabilities		2,836,705	2,836,705	3,533,134	4,557,747	5,929,122
Total amount of liabilities	Before distribution	5,364,442	8,334,787	11,230,179	7,580,877	14,867,741
	After distribution	5,955,450	9,105,302	7,984,453	8,044,557	Note 1
Equity Attributable to Shareholders of the Parent		8,002,850	8,423,645	9,828,636	11,253,654	12,696,317
Share capital		3,598,865	3,600,162	3,899,558	4,206,834	4,316,114
Capital reserve		254,048	304,475	811,273	923,672	715,446
Retained earnings	Before distribution	4,204,557	4,598,390	5,166,079	6,089,115	7,380,612
	After distribution	3,613,549	3,827,875	4,762,503	5,625,435	Note 1
Other equity		(12,613)	(44,788)	(48,274)	34,033	284,145
Treasury stocks		(42,007)	(34,594)	0	0	0
Non-controlling equity		86,669	1,901,597	2,061,236	2,269,230	2,249,853
Equity Total amount:	Before distribution	8,089,519	10,325,242	11,889,872	13,522,884	14,946,170
	After distribution	7,498,511	9,554,727	11,486,296	13,059,204	Note 1

Source: The financial statement audited by the certified public accountant.

Note 1: The dividend distribution proposal for 2020 has been approved by the board of directors on March 10, 2021 with dividends remaining undistributed.

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				
	2016	2017	2018	2019	2020 (Note 1)
Operating revenue	5,208,044	5,355,706	5,874,100	6,130,926	8,404,291
Operating gross profit	1,355,235	1,376,372	1,670,061	1,811,754	2,801,125
Operating incomes	808,373	844,004	1,055,925	1,215,748	1,968,351
Non-operating incomes and expenses	122,026	307,595	362,483	360,371	114,366
Pre-tax net profit	930,399	1,151,599	1,418,408	1,576,119	2,082,717
Continuing operation Net profit of the term	776,357	989,364	1,155,307	1,294,520	1,783,299
Loss from discontinuing operation	—	—	—	—	—
Net profit (loss) of the term	776,357	989,364	1,155,307	1,294,520	1,783,299
Other comprehensive incomes of the term (Net amount after tax)	(27,233)	(36,698)	47,929	114,399	221,990
The total comprehensive income of the term	749,124	952,666	1,203,236	1,408,919	2,005,289
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	2.17	2.76	3.01	3.26	4.22

Source: The financial statement audited by the certified public accountant.

Note 1: The dividend distribution proposal for 2020 has been approved by the board of directors on March 10, 2021 with dividends remaining undistributed.

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				
	2016	2017	2018	2019	2020 (Note 1)
Operating revenue	5,795,609	6,831,740	9,541,489	10,046,619	12,428,549
Operating gross profit	1,608,621	1,874,977	2,657,090	3,039,462	3,609,353
Operating incomes	960,219	1,610,481	1,725,198	2,072,004	2,338,745
Non-operating incomes	32,504	(3,656)	66,537	(1,000)	(60,169)
Pre-tax net profit	992,723	1,606,825	1,791,735	2,071,004	2,278,576
Continuing operation Net profit of the term	802,309	1,192,626	1,347,253	1,563,561	1,926,589
Loss from discontinuing	—	—	—	—	—
Net profit of the term	802,309	1,192,626	1,347,253	1,563,561	1,926,589
Other comprehensive incomes of the term (Net amount after tax)	(30,695)	(83,249)	96,394	71,181	143,746
The total comprehensive	771,614	1,109,377	1,443,647	1,634,742	2,070,335
Net profit (loss) attributed to	776,357	989,364	1,155,307	1,294,520	1,783,299
Net profit (loss) attributed to	25,952	203,262	191,946	269,041	143,290
The total comprehensive income attributed to shareholders of the parent company	749,124	952,666	1,203,236	1,408,919	2,005,289
The total comprehensive income attributed to Non-controlling equity	22,490	156,711	240,411	225,823	65,046
Earning per share	2.17	2.76	3.01	3.26	4.22

Source: The financial statement audited by the certified public accountant.

Note 1: The dividend distribution proposal for 2020 has been approved by the board of directors on March 10, 2021 with dividends remaining undistributed.

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
2016	PwC Taiwan	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
2020		Chih-Cheng Hsieh, Tsai-Yen Jiang	Unqualified opinion

II. Analyses of finance over the past five years

(I) Finance analysis (IFRS unconsolidated)

Analysis Item (Note)		Year	Analyses of finance over the past five years				
			2016	2017	2018	2019	2020
Financial structure	Debts ratio %		39.32	42.70	38.21	44.61	47.62
	Long-term Fund to Property, Plant and Equipment		177.20	196.41	196.12	187.25	171.42
Solvency (%)	Current Ratio (%)		205.20	153.00	161.82	129.21	103.22
	Quick Ratio (%)		196.25	145.05	155.00	123.93	96.76
	Times Interest Earned (Times)		21.29	17.49	27.14	27.49	27.65
Operating Performance	Receivable Turnover Rate (Times)		4.14	4.11	4.25	3.96	4.19
	Average Collection Days		88	89	86	92	87
	Inventory Turnover (Times)		51.82	50.41	55.47	61.04	69.4
	Average Payment Turnover (Times)		36.77	38.95	43.56	38.46	42.4
	Average Sales Days		7	7	7	6	5
	Property, Plant and Equipment Turnover (Times)		0.86	0.89	0.95	0.85	0.94
	Total Assets Turnover (Times)		0.41	0.38	0.38	0.34	0.38
Profitability	Return on asset (%)		6.36	7.45	7.84	7.42	8.31
	Return on Equity (%)		9.81	12.05	12.66	12.28	14.89
	Pre-tax Income to Paid-in Capital Ratio (%)		25.85	27.48	36.37	37.47	48.25
	Net Margin (%)		14.91	18.47	19.67	21.11	21.22
	Earning per share (NTD)		2.17	2.76	3.01	3.26	4.22
Cash Flow	Cash Flow Rate (%)		105.29	79.79	76.75	43.15	45.28
	Cash Flow Adequacy Ratio (%)		96.70	97.77	93.33	89.89	83.6
	Cash Reinvestment Ratio (%)		13.37	11.72	10.48	7.89	10.64
Leverage	Operating Leverage		6.31	6.21	5.44	4.97	4.22
	Financial Leverage		1.06	1.08	1.05	1.05	1.04
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%)							
<ol style="list-style-type: none"> Liquidity analysis (current ratio and quick ratio): Liquidity decreased compared to the previous year, mainly due to the increase in payables incurred from revenue growth and incremental lease liabilities due within one year under the application of IFRS 16 "Leases." Profitability analysis (return on equity, operating income to paid-in capital ratio, income before tax to paid-in capital ratio, and earnings per share): Due to a 37% YoY increase in revenue, the net income after tax increased compared to the previous year, resulting in an increase in all profitability ratios. Cash flow reinvestment ratio: Due to the increase in profit, the net cash flow of operating activities increased, which increased the proportion of cash reinvested. 							

Finance analysis (IFRS consolidated)

Analysis Item (Note)		Analyses of finance over the past five years				
		2016	2017	2018	2019	2020
Financial structure	Debts ratio %	39.87	44.67	38.93	45.37	49.87
	Long-term Fund to Property, Plant and Equipment	163.90	164.00	169.89	169.87	142.7
Solvency (%)	Current Ratio (%)	240.50	189.09	238.63	194.46	145.87
	Quick Ratio (%)	231.98	182.79	229.96	187.83	136.33
	Times Interest Earned (Times)	22.60	23.39	25.87	26.71	20.06
Operating Performance	Receivable Turnover Rate (Times)	4.01	3.18	3.68	3.59	3.83
	Average Collection Days	91	115	99	101.67	95.3
	Inventory Turnover (Times)	56.12	42.68	45.64	41.67	46.33
	Average Payment Turnover (Times)	37.38	26.23	32.09	34.31	28.81
	Average Sales Days	7	9	8	9	8
	Property, Plant and Equipment Turnover (Times)	0.91	0.91	1.1	1.02	0.98
	Total Assets Turnover (Times)	0.45	0.43	0.5	0.45	0.46
Profitability	Return on asset (%)	6.46	7.76	7.35	7.35	7.43
	Return on Equity (%)	10.03	12.95	12.13	12.31	13.53
	Pre-tax Income to Paid-in Capital Ratio (%)	27.58	44.63	45.95	49.23	52.79
	Net Margin (%)	13.84	17.46	14.12	15.56	15.5
	Earning per share (NTD)	2.17	2.76	3.01	3.26	4.22
Cash Flow	Cash Flow Rate (%)	97.77	55.30	100.7	52.68	51.34
	Cash Flow Adequacy Ratio (%)	92.94	95.16	98.24	98.25	86.65
	Cash Reinvestment Ratio (%)	12.19	8.96	10.43	7.74	9.55
Leverage	Operating Leverage	5.92	4.15	5.35	4.75	5.2
	Financial Leverage	1.05	1.05	1.04	1.04	1.05
<p>Please specify the reasons resulting in changes of financial ratios in the recent two fiscal years (changes less than 20% may be excluded)</p> <ol style="list-style-type: none"> Liquidity analysis (current ratio and quick ratio): Liquidity decreased compared to the previous year, mainly due to the increase in payables incurred from revenue growth and incremental lease liabilities due within one year under the application of IFRS 16 "Leases." Times interest earned: Interest increased due to the application of the new International Financial Reporting Standards and the increase in borrowings, which reduced the times interest earned compared to the previous period. Profitability analysis (return on equity, operating income to paid-in capital ratio, income before tax to paid-in capital ratio, and earnings per share): Due to a 23.7% YoY increase in revenue, the net income after tax increased compared to the previous year, resulting in an increase in all profitability ratios. Cash flow reinvestment ratio: Due to the increase in profit, the net cash flow of operating activities increased, which increased the proportion of cash reinvested. 						

- * If the Company prepares standalone financial reports, an analysis of the Company's standalone financial ratios should be prepared separately.
- * If the financial information adopting International Financial Reporting Standards is compiled less than 5 years, then the financial information adopting R.O.C. Statements of Financial Accounting Standards should be prepared through table (2).

Note 1: The year for which the Company's financial statements are not audited by accountants should be indicated.

Note 2: Financial information of companies whose shares are listed or traded on the stock exchange as of the date of the annual report should be included in the analysis if it has been audited or reviewed by an accountant most recently.

Note 3: The following formula should be shown at the end of this table in the annual report.

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 = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
 - (2) Return on Equity = After-tax Income / Average Equity
 - (3) Net Margin = Net Income / Net Sales
 - (4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (Note 4)
5. Cash Flow
 - (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
 - (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend).
 - (3) Cash Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital) (Note 5)
6. Leverage
 - (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations (Note 6)
 - (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

Note 4: 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 5:For the cash flow analysis, please note the following matters when measuring:

1. Net cash flow from operating activities refer to the net cash flows from operating activities indicated in the Statement of cash flow.
2. Capital expenditure means the annual cash outflows of the capital investments.
3. 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.
4. Cash dividends include the cash dividends of common and preferential shares.
5. Gross amount of property, plant, and equipment refers to the total amount of property, plant, and equipment before accumulated amortization.

Note 6: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 7:If the Company's stock has no par value or the par value per share is not NT\$10, the calculation of the paid-in capital ratio should change to the ratio of equity attributable to the shareholders of the parent company in the balance sheet.

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 2020 Business Report, Financial Statements, and earning distribution proposal, of which, the Company's 2020 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 2020 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

2021 Annual General Shareholders' Meeting

Sigurd Microelectronics Corporation

Convener of the Audit Committee: Wen-Bin Wu

March 10, 2021

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, 2020 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. In addition, 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

Huang Shin-Yang, Chairman

March 10, 2021

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 20000441

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, 2020 and 2019, 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 auditors, 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, 2020 and 2019, 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. 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 Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other independent auditors, 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:

Capitalisation 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 consolidated financial statements, thus, we identified the audit of capitalisation of property, plant and equipment as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

Assessed and validated the effectiveness of the internal control system over additions to property, plant and equipment and respective timing to commence depreciation, as well as sample tested and examined respective purchase orders and invoices to ensure that transactions were approved accordingly and recognised amounts were accurate. Sample tested and examined the acceptance documents to validate the appropriateness of the timing that assets are ready for use and are recorded in property listing and timely commencement of depreciation recognition.

Other matter – Audited by other independent auditors

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

assets of those consolidated subsidiaries amounted to NT\$330,564 thousand and NT\$232,480 thousand, constituting 1.11% and 0.94% of the consolidated total assets as at December 31, 2020 and 2019, respectively, and total operating revenues amounted to NT\$212,271 thousand and NT\$72,009 thousand, constituting 1.71% and 0.72% of the total operating revenues for the years ended December 31, 2020 and 2019, respectively.

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, 2020 and 2019.

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 controls as the management determines are 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 a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an

audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, 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 controls.
2. Obtain an understanding of internal controls 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 controls.
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 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 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 controls 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 those matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter 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.

Hsieh, Chih-Cheng

Chiang, Tsai-Yen

For and on behalf of PricewaterhouseCoopers, Taiwan
March 10, 2021

The accompanying consolidated financial statements are not intended to present the consolidated financial position and consolidated results of operations and consolidated 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 consolidated 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 auditors 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 consolidated financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan 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, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 5,628,675	19	\$ 4,620,939	19
1110	Current financial assets at fair value through profit or loss	6(2)	532,109	2	338,007	1
1136	Current financial assets at amortised cost	6(4)	2,524,164	9	4,299,888	17
1140	Current contract assets	6(18)	109,872	-	120,675	1
1150	Notes receivable, net	6(5)	396	-	672	-
1170	Accounts receivable, net	6(5)	3,303,912	11	3,068,433	12
1180	Accounts receivable - related parties, net	6(5) and 7	3,811	-	5,624	-
1200	Other receivables		32,833	-	58,568	-
1220	Current tax assets		12,532	-	12	-
130X	Inventories	6(6)	185,466	1	169,988	1
1410	Prepayments		667,396	2	272,087	1
1470	Other current assets	8	37,463	-	20,218	-
11XX	Total current assets		<u>13,038,629</u>	<u>44</u>	<u>12,975,111</u>	<u>52</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	878,100	3	495,733	2
1535	Non-current financial assets at amortised cost	6(4) and 8	159,813	1	50,700	-
1600	Property, plant and equipment	6(7) and 8	14,629,289	49	10,643,730	43
1755	Right-of-use assets	6(8)	822,847	3	395,929	2
1780	Intangible assets		101,740	-	102,543	1
1840	Deferred tax assets	6(25)	75,345	-	42,234	-
1900	Other non-current assets		108,148	-	37,381	-
15XX	Total non-current assets		<u>16,775,282</u>	<u>56</u>	<u>11,768,250</u>	<u>48</u>
1XXX	Total assets		<u>\$ 29,813,911</u>	<u>100</u>	<u>\$ 24,743,361</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, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9) and 8	\$ 1,067,131	4	\$ 640,712	3
2130	Current contract liabilities	6(18)	19,127	-	10,202	-
2150	Notes payable		2,658	-	2,410	-
2170	Accounts payable		379,746	1	227,422	1
2219	Other payables	6(10)	2,650,287	9	2,261,931	9
2230	Current income tax liabilities		306,627	1	335,686	1
2250	Current provisions		12,321	-	2,794	-
2280	Current lease liabilities	6(29)	488,684	2	98,690	-
2300	Other current liabilities	6(11)(12) and 8	4,012,038	13	3,092,585	13
21XX	Total current liabilities		<u>8,938,619</u>	<u>30</u>	<u>6,672,432</u>	<u>27</u>
Non-current liabilities						
2530	Bonds payable	6(11)	830,801	3	1,162,846	5
2540	Long-term borrowings	6(12) and 8	4,518,748	15	2,840,387	11
2570	Deferred tax liabilities	6(25)	40,931	-	42,490	-
2580	Non-current lease liabilities	6(29)	305,872	1	297,175	1
2600	Other non-current liabilities	6(13)	232,770	1	204,849	1
25XX	Total non-current liabilities		<u>5,929,122</u>	<u>20</u>	<u>4,547,747</u>	<u>18</u>
2XXX	Total liabilities		<u>14,867,741</u>	<u>50</u>	<u>11,220,179</u>	<u>45</u>
Equity						
Equity attributable to owners of parent						
Share capital 6(14)						
3110	Ordinary share		4,316,114	15	4,206,834	17
Capital surplus 6(15)						
3200	Capital surplus		715,446	2	923,672	4
Retained earnings 6(16)						
3310	Legal reserve		1,351,118	5	1,218,457	5
3320	Special reserve		-	-	48,273	-
3350	Unappropriated retained earnings		6,029,494	20	4,822,385	20
Other equity interest 6(17)						
3400	Other equity interest		284,145	1	34,033	-
31XX	Equity attributable to owners of parent		<u>12,696,317</u>	<u>43</u>	<u>11,253,654</u>	<u>46</u>
36XX	Non-controlling interests		<u>2,249,853</u>	<u>7</u>	<u>2,269,528</u>	<u>9</u>
3XXX	Total equity		<u>14,946,170</u>	<u>50</u>	<u>13,523,182</u>	<u>55</u>
Significant contingent liabilities and unrecognised contract commitments 9						
Significant events after the reporting period 11						
3X2X	Total liabilities and equity		<u>\$ 29,813,911</u>	<u>100</u>	<u>\$ 24,743,361</u>	<u>100</u>

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

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

Items	Notes	Year ended December 31				
		2020		2019		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(18) and 7	\$ 12,428,549	100	\$ 10,046,619	100
5000	Operating costs	6(6)(23)(24)	(8,819,196)	(71)	(7,007,157)	(70)
5950	Gross profit from operations		<u>3,609,353</u>	<u>29</u>	<u>3,039,462</u>	<u>30</u>
	Operating expenses	6(23)(24)				
6100	Selling and marketing expenses		(176,411)	(2)	(165,850)	(2)
6200	General and administrative expenses		(671,642)	(5)	(519,405)	(5)
6300	Research and development expenses		(422,555)	(3)	(282,721)	(3)
6450	Net expected credit gain	12(2)	<u>-</u>	<u>-</u>	<u>518</u>	<u>-</u>
6000	Total operating expenses		(<u>1,270,608</u>)	(<u>10</u>)	(<u>967,458</u>)	(<u>10</u>)
6900	Operating profit		<u>2,338,745</u>	<u>19</u>	<u>2,072,004</u>	<u>20</u>
	Non-operating income and expenses					
7100	Interest income	6(19)	52,764	-	77,438	1
7010	Other income	6(20)	66,315	1	46,217	-
7020	Other gains and losses	6(21)	(59,688)	-	(44,104)	-
7050	Finance costs	6(22)	(<u>119,560</u>)	(<u>1</u>)	(<u>80,551</u>)	(<u>1</u>)
7000	Total non-operating income and expenses		(<u>60,169</u>)	<u>-</u>	(<u>1,000</u>)	<u>-</u>
7900	Profit before income tax		<u>2,278,576</u>	<u>19</u>	<u>2,071,004</u>	<u>20</u>
7950	Income tax expense	6(25)	(<u>351,987</u>)	(<u>3</u>)	(<u>507,443</u>)	(<u>5</u>)
8000	Profit from continuing operations		<u>1,926,589</u>	<u>16</u>	<u>1,563,561</u>	<u>15</u>
8200	Profit for the year		<u>\$ 1,926,589</u>	<u>16</u>	<u>\$ 1,563,561</u>	<u>15</u>

(Continued)

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

Items	Notes	Year ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
Other comprehensive (loss) income	6(3)(17)				
Components of other comprehensive (loss) income that will not be reclassified to profit or loss					
8311 Losses on remeasurements of defined benefit plans	6(13)	(\$ 31,484)	-	(\$ 13,208)	-
8316 Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income		<u>322,367</u>	<u>2</u>	<u>175,607</u>	<u>2</u>
8310 Components of other comprehensive income that will not be reclassified to profit or loss		<u>290,883</u>	<u>2</u>	<u>162,399</u>	<u>2</u>
Components of other comprehensive loss that will be reclassified to profit or loss	6(17)				
8361 Exchange differences on translation of foreign operations		(<u>147,137</u>)	(<u>1</u>)	(<u>91,218</u>)	(<u>1</u>)
8360 Components of other comprehensive loss that will be reclassified to profit or loss		(<u>147,137</u>)	(<u>1</u>)	(<u>91,218</u>)	(<u>1</u>)
8300 Other comprehensive income		<u>\$ 143,746</u>	<u>1</u>	<u>\$ 71,181</u>	<u>1</u>
8500 Total comprehensive income		<u>\$ 2,070,335</u>	<u>17</u>	<u>\$ 1,634,742</u>	<u>16</u>
Profit, attributable to:					
8610 Owners of parent		\$ 1,783,299	15	\$ 1,294,520	12
8620 Non-controlling interests		<u>143,290</u>	<u>1</u>	<u>269,041</u>	<u>3</u>
Total profit		<u>\$ 1,926,589</u>	<u>16</u>	<u>\$ 1,563,561</u>	<u>15</u>
Comprehensive income attributable to:					
8710 Owners of parent		\$ 2,005,289	16	\$ 1,408,919	14
8720 Non-controlling interests		<u>65,046</u>	<u>1</u>	<u>225,823</u>	<u>2</u>
Total comprehensive income		<u>\$ 2,070,335</u>	<u>17</u>	<u>\$ 1,634,742</u>	<u>16</u>
Basic earnings per share (in dollars)	6(26)				
9750 Basic earnings per share		<u>\$</u>	<u>4.22</u>	<u>\$</u>	<u>3.26</u>
Diluted earnings per share (in dollars)	6(26)				
9850 Diluted earnings per share		<u>\$</u>	<u>3.87</u>	<u>\$</u>	<u>3.16</u>

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

SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(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
		Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Operations	Unrealised Gains (Losses) from Financial Assets Measured at Fair Value Through Other Comprehensive Income			
<u>2019</u>											
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(loss)		-	-	-	-	1,284,092	(50,780)	175,607	1,408,919	225,823	1,634,742
Distribution of 2018 earnings											
Legal reserve	6(16)	-	-	115,531	-	(115,531)	-	-	-	-	-
Special reserve		-	-	-	3,486	(3,486)	-	-	-	-	-
Cash dividends		-	-	-	-	(403,576)	-	-	(403,576)	-	(403,576)
Cash distribution from capital surplus	6(15)(16)	-	(403,576)	-	-	-	-	-	(403,576)	-	(403,576)
Issuance of corporate bonds		-	43,697	-	-	-	-	-	43,697	-	43,697
Conversion of corporate bonds	6(11)(14)(15)	137,276	191,778	-	-	-	-	-	329,054	-	329,054
Issuance of share capital		170,000	280,500	-	-	-	-	-	450,500	-	450,500
Disposal of equity instruments at fair value through other comprehensive income		-	-	-	-	42,520	-	(42,520)	-	-	-
Non-controlling interests		-	-	-	-	-	-	-	-	(17,531)	(17,531)
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	\$ 2,269,528	\$ 13,523,182
<u>2020</u>											
Balance at January 1, 2020		\$ 4,206,834	\$ 923,672	\$ 1,218,457	\$ 48,273	\$ 4,822,385	(\$ 6,699)	\$ 40,732	\$ 11,253,654	\$ 2,269,528	\$ 13,523,182
Profit for the year		-	-	-	-	1,783,299	-	-	1,783,299	143,290	1,926,589
Other comprehensive (loss) income for the year	6(3)(17)	-	-	-	-	(28,122)	(72,255)	322,367	221,990	(78,244)	143,746
Total comprehensive income(loss)		-	-	-	-	1,755,177	(72,255)	322,367	2,005,289	65,046	2,070,335
Distribution of 2019 earnings	6(16)										
Legal reserve		-	-	132,661	-	(132,661)	-	-	-	-	-
Reversal of special reserve		-	-	-	(48,273)	48,273	-	-	-	-	-
Cash dividends		-	-	-	-	(463,680)	-	-	(463,680)	-	(463,680)
Cash distribution from capital surplus	6(15)(16)	-	(463,680)	-	-	-	-	-	(463,680)	-	(463,680)
Conversion of corporate bonds	6(11)(14)(15)	109,280	255,454	-	-	-	-	-	364,734	-	364,734
Cash dividends paid to non-controlling interest from subsidiary	4(3)	-	-	-	-	-	-	-	-	(98,354)	(98,354)
Subsidiary's issuance of share capital - increase in non-controlling interests		-	-	-	-	-	-	-	-	14,850	14,850
Non-controlling interests		-	-	-	-	-	-	-	-	(1,217)	(1,217)
Balance at December 31, 2020		\$ 4,316,114	\$ 715,446	\$ 1,351,118	\$ -	\$ 6,029,494	(\$ 78,954)	\$ 363,099	\$ 12,696,317	\$ 2,249,853	\$ 14,946,170

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	Year ended December 31,	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before income tax		\$ 2,278,576	\$ 2,071,004
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(23)	2,865,109	2,445,848
Amortisation	6(23)	63,250	72,970
Net expected credit gain	12(2)	-	(518)
Net profit on financial assets at fair value through profit or loss	6(2)(21)	(46,228)	(8,020)
Finance costs	6(22)	119,560	80,551
Interest income	6(19)	(52,764)	(77,438)
Dividends income	6(20)	(12,495)	(9,119)
Gain on disposal of property, plant and equipment	6(21)	(22,105)	(37,048)
Impairment of non-financial assets	6(7)(21)	2,083	-
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		(147,874)	(171,006)
Contract assets		10,150	(27,173)
Notes receivable		276	1,007
Accounts receivable		(264,264)	(893,326)
Accounts receivable-related parties		1,813	11,436
Compensation receivable		-	296,489
Other receivables		20,732	(24,518)
Inventories		(15,561)	(3,320)
Prepayments		(396,247)	(96,090)
Other current assets		(16,889)	44,382
Other non-current assets		(285)	(379)
Changes in operating liabilities			
Contract liabilities		8,939	9,426

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

	Year ended December 31,		
	Notes	2020	2019
Notes payable		248	263
Accounts payable		154,129	13,274
Other payables		358,077	209,262
Provisions		9,949	(5,120)
Other current liabilities		136,402	73,316
Defind benefit liabilities		(789)	(19,795)
Other non-current liabilities		(1,399)	10,842
Cash generated from operations		<u>5,052,393</u>	<u>3,967,200</u>
Interest received		57,018	73,350
Dividends received		12,495	9,119
Interest paid		(118,478)	(87,057)
Income tax paid		(414,451)	(447,522)
Net cash generated from operating activities		<u>4,588,977</u>	<u>3,515,090</u>

(Continued)

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

	Notes	Year ended December 31,	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 5,061,760)	(\$ 8,024,254)
Proceed from disposal of financial assets at amortised cost		6,636,660	5,937,592
Acquisition of financial assets at fair value through other comprehensive income		(60,000)	(30,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	-	245,520
Acquisition of property, plant and equipment	6(28)	(6,883,125)	(3,288,873)
Proceeds from disposal of property, plant and equipment		151,632	58,159
Increase in refundable deposits		(5,086)	(9,632)
Decrease in refundable deposits		6,145	-
Acquisition of intangible assets		(61,995)	(24,127)
Net cash inflows from acquisition of subsidiaries	6(27)	-	9,807
Net cash flows used in investing activities		<u>(5,277,529)</u>	<u>(5,125,808)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings		2,901,946	1,519,478
Repayments of short-term borrowings	6(29)	(2,474,973)	(997,604)
Proceeds from issuance of corporate bonds	6(29)	-	1,203,165
Repayments of corporate bonds	6(29)	(400)	-
Proceeds from long-term borrowings	6(29)	13,636,854	10,767,938
Repayments of long-term borrowings	6(29)	(11,175,194)	(9,976,786)
Increase in guarantee deposits received	6(29)	3,032	2,578
Decrease in guarantee deposits received	6(29)	(4,407)	(2,913)
Repayments of lease liabilities	6(29)	(158,112)	(150,697)
Cash dividends paid	6(16)	(463,680)	(403,576)
Cash distribution from capital surplus	6(15)(16)	(463,680)	(403,576)
Cash dividends paid to non-controlling interests	4(3)	(98,354)	(78,683)

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)

	<u>Notes</u>	<u>Year ended December 31,</u>	
		<u>2020</u>	<u>2019</u>
Non-controlling interests		(1,217)	-
Proceeds from issuance of share capital	6(14)(15)	-	450,500
Subsidiary's issuance of share capital - increase in non-controlling interests		14,850	-
Net cash flows from financing activities		<u>1,716,665</u>	<u>1,929,824</u>
Effect of changes in exchange rate		(20,377)	(36,772)
Net increase in cash and cash equivalents		<u>1,007,736</u>	<u>282,334</u>
Cash and cash equivalents at beginning of year	6(1)	4,620,939	4,338,605
Cash and cash equivalents at end of year	6(1)	<u>\$ 5,628,675</u>	<u>\$ 4,620,939</u>

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, 2020 AND 2019

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

1. HISTORY AND ORGANISATION

Sigurd Microelectronics Corporation (formerly named More Power Electronic Co., Ltd., 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 turnkey assembly and testing services to customers. The name of the Company was changed to Sigurd Microelectronics Corporation on November 27, 1998. The main business activities of the Company and its subsidiaries (collectively referred herein as “Sigurd Group” or the “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 was retained. The effective date for the merger 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 was retained. The effective date for the merger 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 integrated circuits packaging. The Company is the surviving company and the effective date for the merger was May 31, 2013.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 10, 2021.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board (“IASB”)
Amendments 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 IFRS7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note: Early application from January 1, 2020 is allowed by FSC.

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

(2) Effect of new or amended IFRSs as endorsed by the FSC but not yet adopted

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest rate benchmark reform - phase 2’	January 1, 2021

The above standards and interpretations have no significant impact to the Group’s financial position and financial performance based on the 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:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Disclosure of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018 - 2020	January 1, 2022

The above standards and interpretations have no significant impact to Sigurd Group's financial position 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 of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRS and relevant laws and requirements" or "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 at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension funds assets less present value of defined benefit obligation.

- B. The preparation of consolidated 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 unrealised 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, 2020	December 31, 2019	
Sigurd Microelectronics Corporation	Sigurd International Co., Ltd.	Investment company	100	100	-
Sigurd Microelectronics Corporation	Brugurd Co., Ltd.	International trade company	100	100	-
Sigurd Microelectronics Corporation	TEST-SERV Inc.	Semiconductor assembly and testing	100	100	-
Sigurd Microelectronics Corporation	Bloomeria Limited	Investment company	100	100	-
Sigurd Microelectronics Corporation	AMBERSAN Medical Technology Co., Ltd.	Medical equipment manufacturing and sales	55	55	Note 1
Sigurd Microelectronics Corporation	Flatek, Inc.	Digital information supply service	58.77	58.77	Note 3
Sigurd Microelectronics Corporation	Flusol Co., Ltd.	Investment company	96.66	96.66	Note 4
Sigurd Microelectronics Corporation	Ge-Shing Cooperation	Investment company	0.65	-	Note 6 and Note 7
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	3.34	Note 4
Flusol Co., Ltd.	Flusol (Shenzhen) Co., Ltd.	Commodity broker, commodity brokerage, and integrated circuits design	-	100	Note 5
Flusol Co., Ltd.	SIRIZE Technology (Suzhou) Corp.	Design of testing application for integrated circuits and advanced service of circuits testing	100	100	Note 2

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
Sigurd Microelectronics (Cayman) Co., Ltd.	Sigurd Micro Electronics (Wuxi) Co., Ltd.	Manufacture and sales of microelectronic products	100	100	-
Bloomeria Limited	Winstek Semiconductor Co., Ltd.	Research, design and testing of integrated circuits	-	51.88	Note 7
Bloomeria Limited	Ge-Shing Cooperation	Investment company	99.35	-	Note 7
Ge-Shing Cooperation	Winstek Semiconductor Co., Ltd.	Research, design and testing of integrated circuits	51.90	-	Note 7
TEST-SERV Inc.	Winstek Semiconductor Co., Ltd.	Research, design and testing of integrated circuits	0.03	0.03	-
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	100	Note 3
FLATEK, INC.	TPFUSION, INC.	Digital information supply service	75	75	Note 3
FLATEK, INC.	Valuenet International Limited	Digital information supply service	100	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	100	Note 3
TPFUSION INC.	TPfusion Corp.	Digital information supply service	98	98	Note 3

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

The Company invested \$36,300 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. with consideration of \$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 thousand. The Company has made the investment directly by remitting US\$ 45,000 thousand (NT\$ 1,359,700) as Flusol Co., Ltd.'s capital. As of December 31, 2020, the Company held 96.66% shareholding of Flusol Co., Ltd.

Note 5: On February 27, 2020, Flusol (Shenzhen) Co., Ltd. has completed its deregistration as approved by the Investment Commission of the Ministry of Economic Affairs and remitted the residual property amounting to US\$258,990 to Flusol Co., Ltd.

Note 6: Ge-Shing Cooperation was established on March 12, 2020. The Company invested \$10,000 to obtain its 100% shareholding.

Note 7: To improve the overall operating efficiency of Sigurd Group, on July 6, 2020, Bloomeria Limited, the subsidiary of the Company, swapped all 70,694,438 shares it held in Winstek Semiconductor Technology Co., Ltd. (consisting approximately 51.88% of the total shares issued) for new shares issued from capital increase of the wholly-owned subsidiary of the Company, Ge-Shing Cooperation. After the swap, the Company and Bloomeria Limited hold 0.65% and 99.35% shareholdings in Ge-Shing Cooperation, respectively.

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, 2020, and 2019, the non-controlling interests amounted to \$2,250,054 and \$2,269,528, respectively. The information on non-controlling interests and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest				Description
		December 31, 2020		December 31, 2019		
		Amount	Ownership (%)	Amount	Ownership (%)	
Winstek Semiconductor Co., Ltd. and its Subsidiary	Taiwan	\$2,155,855	48.10%	\$2,192,456	48.12%	-

Summarised financial information of subsidiaries:

Balance sheets

	Winstek Semiconductor Co., Ltd. and Subsidiary	
	December 31, 2020	December 31, 2019
Current assets	\$ 3,813,896	\$ 4,206,648
Non-current assets	1,879,064	2,209,397
Current liabilities	(639,675)	(889,134)
Non-current liabilities	(323,892)	(637,915)
Total net assets	<u>\$ 4,729,393</u>	<u>\$ 4,888,996</u>

Statements of comprehensive income

	Winstek Semiconductor Co., Ltd. and Subsidiary	
	Year ended December 31, 2020	Year ended December 31, 2019
Revenue	<u>\$ 2,613,534</u>	<u>\$ 2,942,669</u>
Profit before income tax	227,746	740,633
Income tax expense	(18,348)	(172,990)
Profit from continuing operations	209,398	567,643
Profit for the year	209,398	567,643
Other comprehensive loss, net of tax	(164,609)	(89,544)
Total comprehensive income for the year	<u>\$ 44,789</u>	<u>\$ 478,099</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 21,543</u>	<u>\$ 230,061</u>
Dividends paid to non-controlling interests	<u>\$ 98,354</u>	<u>\$ 78,683</u>

Statements of cash flows

	Winstek Semiconductor Co., Ltd. and Subsidiary	
	Year ended December 31, 2020	Year ended December 31, 2019
Net cash provided by operating activities	\$ 1,197,431	\$ 1,013,720
Net cash used in investing activities	(66,554)	(1,510,906)
Net cash used in financing activities	(489,838)	(335,765)
Effect of exchange rates on cash and cash equivalents	(6,835)	(11,122)
Increase (decrease) in cash and cash equivalents	634,204	(844,073)
Cash and cash equivalents, beginning of year	431,419	1,275,492
Cash and cash equivalents, end of year	<u>\$ 1,065,623</u>	<u>\$ 431,419</u>

(4) Foreign currency translation

Items included in the consolidated 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 recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses 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 recognised in other comprehensive income (loss).
- (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 realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be 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 amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, Sigurd Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. Sigurd Group subsequently measures the financial assets at fair value and recognises the gain or loss in profit or loss.

D. Sigurd Group recognises 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 recognise 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 recognised and derecognised 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 recognised 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 recognised as 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.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of 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 amortised cost are recognised and derecognised 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 recognised in profit or loss when the asset is

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

(12) Derecognition of financial assets

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

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and 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 recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net 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 realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Sigurd Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. 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	4 ~ 60 years
Machinery and equipment	1 ~ 8 years
Office equipment	3 ~ 6 years
Other equipment	1 ~ 11 years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by Sigurd Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option.

Sigurd Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised 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;
- (b) Any lease payments made at or before the commencement date; and
- (c) 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 recognised as an adjustment to the right-of-use asset.

(17) Intangible assets

A. Technical rights

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

B. Computer software

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

(18) 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 recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognised.

(19) Borrowings

A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised

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

- B. Fees paid on the establishment of loan facilities are recognised 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 capitalised as a prepayment for liquidity services and amortised 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 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). Sigurd Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity in accordance with the contract terms. They are accounted for as follows:

- A. The host contracts of bonds are initially recognised 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 amortised 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 equity are initially recognised 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) Provisions

- A. Provisions are recognised 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 recognised as interest expense.
- B. In the process of service provision, customers were unable to sell their products due to Sigurd Group's operational errors or poor product yield. Sigurd Group has assessed the liability for compensation when facts occur, and therefore has estimated related expenses and the provision for the recognition of liabilities. The provision is measured based on historical data and all possible outcomes.

(23) 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 recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refunds 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 recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, Sigurd Group uses interest rates of

government bonds (at the balance sheet date) instead.

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

C. Other long-term employee benefit

Sigurd Group has long-term employee benefits in addition to the pension plans. Its net obligation is calculated by using projected unit credit method. It is measured by discounting the amount of future benefits earned by the employees from current or past services less the fair value of any relevant assets. The discounting rate adopts the interest rates of government bonds (at the balance sheet date) with terms to maturity approximating to the terms of Sigurd Group's obligations. All actuarial gains and losses are recognised as profit and loss in the current period.

D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, 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 at the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. A deferred tax assets shall be recognised for the carry forward of unused tax credits resulting from acquisitions of equipment or technology and research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(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 Sigurd Group's financial statements in the period in which they are resolved by Sigurd Group'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.

(27) Revenue recognition

A. Sales of goods

- (a) Sigurd Group manufactures and sells electronic components. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer 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 recognised based on the price specified in the contract, net of the estimated sales discount. The estimation is subject to an assessment at each reporting date. A refunds liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Provision of services

- (a) 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. An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; (b) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. The testing and packaging services provided by Sigurd

Group are in compliance with the (b) above, and shall be gradually recognised as revenue over time, and recognised as revenue via the progress towards satisfaction of completion performance obligation.

- (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, 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 mutually agreed upon in the contract. Sigurd Group may claim compensation for the difference between retained production capacity and purchased amount in accordance with the terms stipulated in the contract. Compensatory revenue from the difference is fulfilled through the transfer of each of the performance obligations and is recognised accordingly.

(28) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that

the Group will comply with any conditions attached to the grants and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which

the Group recognises expenses for the related costs for which the grants are intended to compensate.

(29) 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 recognised 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 recognised 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 recognised directly in profit or loss on the acquisition date.

(30)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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 4,387	\$ 3,323
Checking accounts and demand deposits	3,266,457	2,257,967
Time deposits	2,357,831	2,359,649
	<u>\$ 5,628,675</u>	<u>\$ 4,620,939</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, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ -	\$ 2,411
Beneficiary certificates	334,678	175,113
Corporate bonds	143,480	122,732
Convertible bonds	18,906	40,290
	<u>497,064</u>	<u>340,546</u>
Valuation adjustment	35,045	(2,539)
	<u>\$ 532,109</u>	<u>\$ 338,007</u>

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

	Year ended December 31,	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 265	\$ 481
Beneficiary certificates	16,904	8,191
Corporate bonds	2,455	(1,595)
Convertible bonds	26,604	943
	<u>\$ 46,228</u>	<u>\$ 8,020</u>

B. Information relating to credit risk of financial assets 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, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Listed stocks	\$ 150,000	\$ 90,000
Unlisted stocks	365,000	365,000
	515,000	455,000
Valuation adjustment	363,100	40,733
	<u>\$ 878,100</u>	<u>\$ 495,733</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 \$878,100 and \$495,733 as at December 31, 2020 and 2019, respectively.

B. During the year ended December 31, 2019, Sigurd Group sold \$245,520 of unlisted stocks at fair value and resulted in cumulative gains of \$42,520 on disposal and was recognised directly to retained earnings. Additionally, Sigurd Group did not sell any financial assets at fair value through other comprehensive income during the year ended December 31, 2020.

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

	Year ended December 31,	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 322,367	\$ 175,607
Cumulative gains reclassified to retained earnings due to derecognition	\$ -	(\$ 42,520)
Dividend income recognised in profit or loss held at end of year	\$ 12,362	\$ 9,000

D. As at December 31, 2020 and 2019, 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 \$878,100 and \$495,733, 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 amortised cost

Items	December 31, 2020	December 31, 2019
Current items:		
Time deposits	\$ 2,524,164	\$ 4,299,888
Non-current items:		
Demand deposits	\$ 81,203	\$ -
Time deposits	48,610	20,700
Corporate bonds	30,000	30,000
	\$ 159,813	\$ 50,700

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

	Year ended December 31,	
	2020	2019
Interest income	\$ 26,957	\$ 43,262

B. As of December 31, 2020 and 2019, 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 amortised cost held by Sigurd Group was \$2,683,978 and \$4,350,588, respectively.

- C. On December 31, 2020, demand deposits amounting to \$81,203, which were pledged for the guarantee purpose of issuing usance L/C, were shown as “Non-current financial assets at amortised cost”. Please refer to Notes 6(12) and 8 for details. Additionally, on December 31, 2019, there were no demand deposits pledged for the guarantee purpose of issuing usance L/C.
- D. On December 31, 2020 and 2019, time deposits amounting to \$48,610 and \$20,700, respectively, which were restricted for the purpose of customs guarantee and participation of government grants program guarantee were shown as “Non-current financial assets at amortised cost”. Please refer to Note 8 for details.
- E. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 396	\$ 672
Accounts receivable	\$ 3,351,683	\$ 3,122,272
Accounts receivable - related parties	3,811	5,624
	<u>3,355,494</u>	<u>3,127,896</u>
Less: Loss allowance	(47,771)	(53,839)
	<u>\$ 3,307,723</u>	<u>\$ 3,074,057</u>

- A. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$2,414,782.
- B. The ageing analysis of accounts receivable and notes receivable is as follows:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 3,219,977	\$ 396	\$ 2,635,159	\$ 672
Up to 30 days	82,306	-	292,603	-
31 to 90 days	4,305	-	143,614	-
91 to 180 days	509	-	2,607	-
Over 180 days	48,397	-	53,913	-
	<u>\$ 3,355,494</u>	<u>\$ 396</u>	<u>\$ 3,127,896</u>	<u>\$ 672</u>

The above ageing analysis was based on past due date.

- C. As at December 31, 2020 and 2019, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents Sigurd

Group's notes receivable was \$396 and \$672, respectively, and the maximum exposure to credit risk in respect of Sigurd Group's accounts receivable was \$3,307,723 and \$3,074,057, respectively.

D. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 119,580	(\$ 5,895)	\$ 113,685
Supplies	60,156	(2,498)	57,658
Work in progress	9,225	(1,036)	8,189
Merchandises and finished goods	6,860	(926)	5,934
	<u>\$ 195,821</u>	<u>(\$ 10,355)</u>	<u>\$ 185,466</u>

	December 31, 2019		
	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
Merchandises and finished goods	27,542	(5,552)	21,990
	<u>\$ 184,859</u>	<u>(\$ 14,871)</u>	<u>\$ 169,988</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31,	
	2020	2019
Cost of goods sold	\$ 8,823,676	\$ 6,995,169
Inventory valuation (gain) loss	(4,434)	8,334
Inventory scrapped	1,673	6,771
Revenue from sale of scrapped inventories	(1,636)	(2,971)
Net exchange differences	(83)	(146)
	<u>\$ 8,819,196</u>	<u>\$ 7,007,157</u>

Sigurd Group recognised inventory valuation gain for the year ended December 31, 2020 because some of the inventories previously written down were consumed or sold.

(7) Property, plant and equipment

	2020						
	Land	Buildings and structures	Machinery and equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
At January 1							
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>
<u>2020</u>							
At January 1	\$ 844,353	\$ 1,412,460	\$ 6,680,583	\$ 79,468	\$ 821,928	\$ 804,938	\$ 10,643,730
Additions	-	643,865	4,618,695	143,390	216,698	1,235,766	6,858,414
Disposals	-	(244)	(128,093)	(14)	(994)	(182)	(129,527)
Depreciation	-	(63,271)	(2,416,318)	(55,539)	(200,706)	-	(2,735,834)
Impairment loss	-	-	(2,083)	-	-	-	(2,083)
Reclassifications (Note)	-	880	773,060	-	21,737	(790,514)	5,163
Net exchange differences	-	14,344	(28,819)	(15)	(5,017)	8,933	(10,574)
At December 31	<u>\$ 844,353</u>	<u>\$ 2,008,034</u>	<u>\$ 9,497,025</u>	<u>\$ 167,290</u>	<u>\$ 853,646</u>	<u>\$ 1,258,941</u>	<u>\$ 14,629,289</u>
At December 31, 2020							
Cost	\$ 844,353	\$ 3,254,658	\$ 24,827,007	\$ 366,435	\$ 2,369,687	\$ 1,258,941	\$ 32,921,081
Accumulated depreciation and impairment	-	(1,246,624)	(15,329,982)	(199,145)	(1,516,041)	-	(18,291,792)
	<u>\$ 844,353</u>	<u>\$ 2,008,034</u>	<u>\$ 9,497,025</u>	<u>\$ 167,290</u>	<u>\$ 853,646</u>	<u>\$ 1,258,941</u>	<u>\$ 14,629,289</u>

2019

	Land	Buildings and structures	Machinery and equipment	Office equipment	Other equipment	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>
<u>2020</u>							
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 through 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 (Note)	-	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>

Note: In 2020, the transfers-in of machinery and equipment amounted to \$773,060, of which \$6,010 was transferred from prepayments for equipment (shown as “Other non-current assets”); additionally, the transfers-out of construction in progress and equipment to be inspected amounted to \$790,514, of which \$847 was transferred to prepaid expenses (shown as “Prepayments”).

In 2019, the transfers-out of construction in progress and equipment to be inspected amounted to \$619,142, of which \$1,080 was transferred to prepaid expenses (shown as “Prepayments”).

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

	Year ended December 31,	
	2020	2019
Amount capitalised	\$ 17,904	\$ 15,237
Range of the interest rates for capitalisation	0.55%~1.39%	1.06%~1.39%

- B. The significant components of buildings and structures include buildings, laboratory and facility equipment, which are depreciated over 50 to 60 years.
- 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, 2020 and 2019, 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

- A. Sigurd Group leases various assets, including buildings, machinery and equipment and transportation equipment for the purposes of manufacture and operations. Lease agreements 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. Short-term leases consisted of machinery and equipment and transportation equipment leased by Sigurd Group with lease terms 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 are as follows:

	Year ended December 31,	
	2020	2019
	Carrying amount	Carrying amount
Buildings	\$ 192,151	\$ 200,746
Machinery and equipment	616,687	180,611
Transportation equipment (business vehicles)	14,009	14,572
	<u>\$ 822,847</u>	<u>\$ 395,929</u>

	Year ended December 31,	
	2020	2019
	Depreciation	Depreciation
Buildings	\$ 39,812	\$ 18,563
Machinery and equipment	79,432	129,070
Transportation equipment (business vehicles)	10,031	6,500
	<u>\$ 129,275</u>	<u>\$ 154,133</u>

- D. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets was \$556,209 and \$380,832, respectively.

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

	Years ended December 31,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 20,920	\$ 5,869
Expense on short-term lease agreements	253,693	137,259
Expense on leases of low-value assets	9,082	8,373

F. For the years ended December 31, 2020 and 2019, Sigurd Group's total cash outflow for leases were \$441,087 and \$293,881, respectively.

(9) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate range	Collateral
<u>Bank borrowings</u>			
Unsecured borrowings	\$ 1,029,399	0.69%~2.57%	None
Secured borrowings	<u>37,732</u>	0.63%~0.84%	Land and plant
	<u>\$ 1,067,131</u>		
Type of borrowings	December 31, 2019	Interest rate range	Collateral
<u>Bank borrowings</u>			
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>		

(10) Other payables

	December 31, 2020	December 31, 2019
Accrued salaries and bonuses	\$ 561,792	\$ 486,588
Accrued employees' compensation and directors' remuneration	328,614	283,725
Payable for equipment and construction	866,979	820,160
Others	<u>892,902</u>	<u>671,458</u>
	<u>\$ 2,650,287</u>	<u>\$ 2,261,931</u>

(11) Bonds payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bonds payable	\$ 1,200,000	\$ 2,400,000
Less: Bonds payable converted	(352,500)	(1,180,000)
Less: Discount on bonds payable	(16,699)	(37,219)
	<u>830,801</u>	<u>1,182,781</u>
Less: Current portion (shown as “Other current liabilities”)	-	(19,935)
	<u>\$ 830,801</u>	<u>\$ 1,162,846</u>

A. To raise the capital for acquiring machinery and 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 of \$100. The units for this offering were 12,000, with aggregated offering amount of \$1,206,000.
- (b) Issuance duration: Three years; from on April 24, 2017 to April 24, 2020.
- (c) Coupon rate and principal payment method: The coupon rate is 0% per annum. Except for converting the corporate bonds 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 of conversion, provided by the law, or due to a transfer suspension period stipulated in a contract (if any); the corporate bonds held by the bondholders shall be converted into ordinary shares of the Company from three months after the issuance (July 25, 2017) until the maturity date (April 24, 2020). The conversion deadline of the 2nd domestic unsecured convertible bonds for bondholders was April 9, 2020 due to the handling of 2020 general shareholders’ meeting according to the Article 9 of related provisions of the issuance and conversion method.
- (e) Conversion price and its adjustment: The conversion price at the time of issuance is set at \$28.70 (in dollars) per share. However, in case of ex-rights or ex-dividends after the issuance, the closing price used to calculate the conversion price shall first be calculated as the price after ex-rights or ex-dividends. After the conversion price is determined and prior to the actual issuance date, it should be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-rights. 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 (in

dollars) to \$27 (in dollars) on August 13, 2017; and the conversion price was adjusted from \$27 (in dollars) to \$25.8 (in dollars) on July 15, 2018; and the conversion price was adjusted from \$25.8 (in dollars) to \$24 (in dollars) on July 21, 2019; and the conversion price was adjusted from \$24 (in dollars) to \$23.7 (in dollars) 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 2nd unsecured convertible bonds, the equity conversion options amounting to \$47,428 were separated from the liability component and were recognised in “Capital surplus—share options” in accordance with IAS 32.
- C. Trough conversion deadline, April 9, 2020, the bonds totaling \$1,199,600 (face value) had been converted into 46,023,851 shares of common stock. The remaining unconverted bonds amounting to \$400 (face value) were redeemed in cash at face value at the maturity date according to the Article 6 of provisions of the issuance and conversion method of the 2nd domestic unsecured convertible bonds.
- D. To raise the capital for acquiring machinery and equipment, the Board of Directors of the Company resolved to issue the 3rd domestic 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 of \$100. The units for this offering were 12,000, with aggregated offering amount of \$1,206,000.
 - (b) Issuance duration: Three years, from October 15, 2019 to October 15, 2022.
 - (c) Coupon rate and principal payment method: The coupon rate is 0% per annum. Except for converting the corporate bonds 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 of conversion, provided by the law, or due to a transfer suspension period stipulated in a contract (if any); the corporate bonds held by the bondholders shall be converted into ordinary shares of the Company from three months after the issuance (January 16, 2020) until the maturity date (October 15, 2022).
 - (e) Conversion price and its adjustment: The conversion price at the time of issuance is set at \$37 (in dollars) per share. However, in case of ex-rights or ex-dividends 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. After the conversion price is determined and prior to the actual issuance date, it should be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-rights. 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 (in dollars) to \$36.6 (in dollars) on November 15, 2019; and the conversion price was adjusted from \$36.6 (in dollars) to \$34.8 (in dollars) on August 2, 2020.

- (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 3rd unsecured convertible bonds, the equity conversion options amounting to \$43,697 were separated from the liability component and were recognised in "Capital surplus—share options" in accordance with IAS 32.
- F. As of December 31, 2020, the 3rd domestic unsecured convertible bonds totaling \$352,500 thousand (face value) had been converted into 10,100,988 shares of common stock.

(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, 2020</u>
Long-term bank borrowings				
Secured borrowings	Borrowing period is from July 18, 2019 to July 29, 2025; principal and interest are repayable by instalments	1.01%~1.25%	Demand deposits、Land, plant and machinery and equipment	\$ 870,832
Credit borrowings	Borrowing period is from May 18, 2018 to December 1, 2025; principal and interest are repayable by instalments	0.60%~4.75%	None	
				<u>7,434,489</u>
				8,305,321
Less: Current portion				(<u>3,786,573</u>)
				<u>\$ 4,518,748</u>

<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 instalments	1.20%~2.85%	Property, plant and machinery and equipment	\$ 847,937
Secured borrowings	Borrowing period is from February 13, 2017 to June 5, 2022; principal and interest are repayable by instalments	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 instalments	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>

For the years ended December 31, 2020 and 2019, interest expenses arising from long-term and short-term bank borrowings amounted to \$99,162 and \$83,096, respectively.

Secured borrowings

According to the signed loan agreements, the following financial ratios and terms should be maintained before the full settlement of the debts:

- A. Current ratio: the net current assets divided by the net current liabilities in the consolidated financial statements shall not be less than 120%.
- B. Debt ratio: the total net liabilities plus contingent liabilities divided by net

tangible assets shall not be more than 100%.

- C. Net tangible assets shall not be less than \$11 billion.
- D. Times interest earned: the net profit before tax plus interest expenses, depreciation expenses and amortisation expenses divided by interest expenses of consolidated financial statements shall be more than three.
- E. The purpose of bank borrowings shall be acquisition of equipment and working capital.
- F. SIRIZE Technology (Suzhou) Corp. shall pledge demand deposits as collateral for the debt obligations of the issuing long-term usance L/C. The guarantee for issuing usance L/C refers to 100% of the sum of issuing amount and other additional amount (if any). As of December 31, 2020, demand deposits pledged to others as collateral for the guarantee purpose of issuing long-term usance L/C by SIRIZE Technology (Suzhou) Corp. amounted to \$81,203.

The abovementioned ratios were calculated based on the annual or quarterly consolidated financial statements audited or reviewed by the independent accountants. The 2020 and 2019 consolidated financial statements met the requirements of the abovementioned ratios.

Credit borrowings

According to the signed loan agreements, the following financial ratios and terms should be maintained before the full settlement of the debts:

- A. Current ratio: the net current assets divided by the net current liabilities in the consolidated financial statements shall not be less than 100%.
- B. Debt ratio: the total net liabilities plus contingent liabilities divided by net tangible assets shall not be more than 80%.
- C. Debt to asset ratio: the total net liabilities divided by total net assets shall not be more than 70%
- D. Times interest earned: the net profit before tax plus interest expenses, depreciation expenses and amortization expenses divided by interest expenses in the consolidated financial statements shall not be less than fifteen.
- E. Shares of Winstek Semiconductor Co., Ltd. held by the Company shall not be less than 50%.
- F. Net tangible assets shall not be less than \$10 billion.
- G. The balance of deposits of Winstek Semiconductor Co., Ltd. and its subsidiaries at the contracted bank over the recent three months on average shall not be less than \$ 60 million.

The abovementioned ratios were calculated based on the annual or quarterly consolidated financial statements audited or reviewed by the independent accountants. The 2020 and 2019 consolidated financial statements met the requirements of the abovementioned ratios.

(13) Pensions

A. (a) The Company and its domestic subsidiaries have defined benefit pension plans 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 plans, 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 pension funds deposited with Bank of Taiwan, the trustee, under the name of the independent pension funds committees. 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 recognised in the balance sheet are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	(\$ 373,585)	(\$ 338,719)
Fair value of plan assets	<u>154,299</u>	<u>146,967</u>
Net defined benefit liabilities	<u>(\$ 219,286)</u>	<u>(\$ 191,752)</u>

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

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	(\$ 338,719)	\$ 146,967	(\$ 191,752)
Current service cost	(1,588)	-	(1,588)
Interest (expense) income	(4,065)	1,735	(2,330)
	<u>(344,372)</u>	<u>148,702</u>	<u>(195,670)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,121	4,121
Change in demographic assumptions	(825)	-	(825)
Change in financial assumptions	(19,141)	-	(19,141)
Experience adjustments	(15,639)	-	(15,639)
	<u>(35,605)</u>	<u>4,121</u>	<u>(31,484)</u>
Pension fund contribution	-	7,868	7,868
Paid pension	6,392	(6,392)	-
At December 31	<u>(\$ 373,585)</u>	<u>\$ 154,299</u>	<u>(\$ 219,286)</u>
	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	(\$ 316,978)	\$ 135,195	(\$ 181,783)
Current service cost	(1,889)	-	(1,889)
Interest (expense) income	(4,392)	1,904	(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	(6,109)	-	(6,109)
	<u>(17,398)</u>	<u>4,190</u>	<u>(13,208)</u>
Pension fund contribution	-	7,616	7,616
Paid pension	1,938	(1,938)	-
At December 31	<u>(\$ 338,719)</u>	<u>\$ 146,967</u>	<u>(\$ 191,752)</u>

(d) The Bank of Taiwan was commissioned to manage the funds of the Company's and its domestic subsidiaries' defined benefit pension plan in accordance with the funds' annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Funds" (Article 6: The scope of utilisation for the funds 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 utilisation of the funds their minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and its domestic subsidiaries have no right to participate in managing and operating that funds 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, 2020 and 2019 is given in the Annual Labor Retirement Funds Utilisation Report announced by the government.

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

	Years ended December 31,	
	2020	2019
Discount rate	0.43%~0.80%	0.83%~1.30%
Future salary increase rate	3.00%	3.00%

Assumptions regarding future mortality rate 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, 2020</u>				
Effect on present value of defined benefit obligations	(\$ 10,106)	\$ 10,653	\$ 42,826	(\$ 38,313)
	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 obligations	(\$ 9,754)	\$ 10,299	\$ 41,730	(\$ 37,065)

- (f) Expected contributions to the defined benefit pension plans of Sigurd Group for the year ending December 31, 2021 amount to \$7,901.
- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (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 funds 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, 2020 and 2019, 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, 2020 and 2019 were \$92,721 and \$80,498, respectively.

C. Long-term employee benefits

Winstek Semiconductor Co., Ltd. and its subsidiary provide other long-term employee benefit plans (pensions) to employees. Actuarial techniques are used to measure other long-term employee benefit obligations and respective balances as of December 31, 2020 and 2019 were both \$3,335.

(14) Share capital

A. As of December 31, 2020, the Company's authorised capital was \$7,000,000, consisting of 700,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$4,316,114 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:

	Unit: shares	
	2020	2019
At January 1	420,683,401	389,955,784
Conversion of corporate bonds	10,927,981	13,727,617
Issuance of share capital	-	17,000,000
At December 31	<u>431,611,382</u>	<u>420,683,401</u>

B. On August 7, 2019, the Board of Directors resolved to increase capital by issuing 17,000 thousand ordinary shares amounting to \$170,000 with par value of \$10 (in dollars) per share with the effective date of November 15, 2019. The above capital increase in cash has completed its registration procedures.

(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.

	2020			
	Share premium	Consolidation premium	Share option	Total
At January 1	\$ 635,056	\$ 244,129	\$ 44,487	\$ 923,672
Conversion of corporate bonds	269,065	-	(13,611)	255,454
Cash distribution from capital surplus	(463,680)	-	-	(463,680)
At December 31	<u>\$ 440,441</u>	<u>\$ 244,129</u>	<u>\$ 30,876</u>	<u>\$ 715,446</u>

	2019			
	Share premium	Consolidation premium	Share option	Total
At January 1	\$ 553,255	\$ 244,129	\$ 13,889	\$ 811,273
Issuance of corporate bonds	-	-	43,697	43,697
Conversion of corporate bonds	204,877	-	(13,099)	191,778
Issuance of share capital	280,500	-	-	280,500
Cash distribution from capital surplus	(403,576)	-	-	(403,576)
At December 31	<u>\$ 635,056</u>	<u>\$ 244,129</u>	<u>\$ 44,487</u>	<u>\$ 923,672</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 paid-in capital. The remainder, if any, to be retained or to be appropriated shall be resolved by the Board of Directors and reported to the shareholders' 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. Dividends are given priority in the form of cash dividends in terms of distributable earnings and is also distributed via stock dividends. The ratio for cash dividends shall not be less than 10% of total dividends to be distributed.
- The Company can propose an earnings distribution or a deficits offsetting proposal after every half of the fiscal year in accordance with the 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 interests is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriations for 2019 and 2018 earnings had been resolved at shareholders' meeting on June 10, 2020 and June 13, 2019, respectively. Details are as follows:

	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 132,661		\$ 115,531	
(Reversal of)				
special reserve	(48,273)		3,486	
Cash dividends (Note)	<u>463,680</u>	\$ 1.10	<u>403,576</u>	\$ 1.03
Total	<u>\$ 548,068</u>		<u>\$ 522,593</u>	

Note: The Company had resolved the appropriation in cash every half of the fiscal year in accordance with the Company Act by the Board of Directors.

- E. On June 10, 2020 and June 13, 2019, the shareholders' meeting resolved the distribution of capital surplus amounting to \$463,680 in cash (\$1.10 (in dollars) per share) and \$403,576 in cash (\$1.03 (in dollars) per share) , respectively.
- F. On March 10, 2021, the Board of Directors resolved the appropriation for 2020 earnings through distribution of cash dividends amounting to \$880,165 in cash (\$2.0 (in dollars) per share).
- G. On March 10, 2021, the Board of Directors proposed the distribution of cash from capital surplus – share premium amounting to \$396,074 in cash (\$0.9 (in dollars) per share) in proportionate to shareholders' shareholding interests. The above resection had not been resolved at the shareholders' meeting.

(17) Other equity interest

	2020		
	Unrealized gains (losses) on valuation of financial assets at fair value through other comprehensive income	Financial statements translation difference of foreign operations	Total
At January 1	\$ 40,732	(\$ 6,699)	\$ 34,033
Revaluation			
– Parent company	322,407	-	322,407
– Subsidiaries	(40)	-	(40)
Currency translation			
– Subsidiaries	-	(72,255)	(72,255)
At December 31	<u>\$ 363,099</u>	<u>(\$ 78,954)</u>	<u>\$ 284,145</u>

	2019		
	Unrealized gains (losses) on valuation of financial assets at fair value through other comprehensive income	Financial statements translation difference of foreign operations	Total
At January 1	(\$ 92,355)	\$ 44,081	(\$ 48,274)
Revaluation			
– Parent company	174,138	-	174,138
– Subsidiaries	1,469	-	1,469
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>

(18) Operating revenue

	Year ended December 31,	
	2020	2019
Revenue from contracts with customers	<u>\$ 12,428,549</u>	<u>\$ 10,046,619</u>

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

<u>2020</u>	<u>Sales revenue</u>	<u>Assembly and testing service revenue</u>	<u>Others service revenue</u>	<u>Total</u>
Revenue from external customer contracts	\$ 49,513	\$ 12,343,771	\$ 35,265	\$ 12,428,549
Timing of revenue recognition				
Over time	\$ -	\$ 12,343,771	\$ 35,265	\$ 12,379,036
At a point in time	\$ 49,513	\$ -	\$ -	\$ 49,513
		<u>Assembly and testing service revenue</u>	<u>Others service revenue</u>	<u>Total</u>
<u>2019</u>	<u>Sales revenue</u>	<u>Assembly and testing service revenue</u>	<u>Others service revenue</u>	<u>Total</u>
Revenue from external customer contracts	\$ 27,001	\$ 9,125,057	\$ 894,561	\$ 10,046,619
Timing of revenue recognition				
Over time	\$ -	\$ 9,125,057	\$ 894,561	\$ 10,019,618
At a point in time	\$ 27,001	\$ -	\$ -	\$ 27,001

B. Contract assets and liabilities

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract assets:			
Contract assets –			
Assembly			
and testing	\$ 109,872	\$ 120,675	\$ 93,882
Contract liabilities:			
Contract liabilities –			
Assembly and testing	\$ 19,127	\$ 10,202	\$ 776

C. Revenue recognised that was included in the contract liabilities balance at the beginning of the year

	<u>Year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Revenue from external customer contracts	\$ 9,205	\$ 126

(19) Interest income

	<u>Year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 25,630	\$ 34,115
Interest income from financial assets measured at amortised cost	26,957	43,262
Other interest income	177	61
	<u>\$ 52,764</u>	<u>\$ 77,438</u>

(20) Other income

	<u>Year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Rental revenue	\$ 4,328	\$ 3,624
Dividend income	12,495	9,119
Government grants	24,700	-
Other income, others	24,792	33,474
	<u>\$ 66,315</u>	<u>\$ 46,217</u>

(21) Other gains and losses

	Year ended December 31,	
	2020	2019
Gains on disposals of property, plant and equipment	\$ 22,105	\$ 37,048
Net currency exchange losses	(127,946)	(66,856)
Gains on financial assets at fair value through profit or loss	46,228	8,020
Impairment loss of property, plant and equipment	(2,083)	-
Other gains (losses)	2,008	(22,316)
	<u>(\$ 59,688)</u>	<u>(\$ 44,104)</u>

(22) Finance costs

	Year ended December 31,	
	2020	2019
Bank borrowings	\$ 98,963	\$ 83,096
Bonds payable	13,154	6,673
Lease liabilities	20,920	5,869
Others	4,427	150
Less: Capitalisation of assets	(17,904)	(15,237)
	<u>\$ 119,560</u>	<u>\$ 80,551</u>

(23) Expenses by nature

	Year ended December 31,	
	2020	2019
Employee benefit expense	<u>\$ 3,230,005</u>	<u>\$ 2,690,687</u>
Depreciation expenses on property, plant and equipment	<u>\$ 2,735,834</u>	<u>\$ 2,291,715</u>
Depreciation expenses on right-of-use assets	\$ 129,275	\$ 154,133
Amortisation expenses on intangible assets	<u>\$ 63,250</u>	<u>\$ 72,970</u>

(24) Employee benefit expense

	Year ended December 31,	
	2020	2019
Wages and salaries	\$ 2,771,304	\$ 2,274,819
Labour and health insurance fees	221,019	197,191
Pension costs	96,639	84,875
Other personnel expenses	141,043	133,802
	<u>\$ 3,230,005</u>	<u>\$ 2,690,687</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' remuneration. The ratio shall range between 8%~12% for employees' compensation and shall not be higher than 3% for directors' remuneration.

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$218,000 and \$153,500, respectively; while directors' remuneration was accrued at \$30,000 and \$25,000, respectively. The aforementioned amounts were recognised in wages and salaries.

The employees' compensation and directors' remuneration were estimated and accrued based on 9.35% and 1.29%, respectively, of distributable profit of 2020.

C. Employees' compensation and directors' remuneration of 2019 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2019 financial statements.

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

(25) Income tax

A. Income tax expense

Components of income tax expense:

	Year ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 497,817	\$ 471,315
Tax on unappropriated retained earnings	923	60,883
Prior year income tax overestimation	(112,083)	(6,827)
Total current tax	<u>386,657</u>	<u>525,371</u>
Deferred tax:		
Origination and reversal of temporary differences	(34,670)	(17,928)
Total deferred tax	<u>(34,670)</u>	<u>(17,928)</u>
Income tax expense	<u>\$ 351,987</u>	<u>\$ 507,443</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ 498,490	\$ 512,194
Tax exempt income by tax regulation	(42,706)	(70,454)
Taxable losses not recognised as deferred tax assets	3,828	6,036
Tax on unappropriated retained earnings	923	60,883
Prior year income tax overestimation	(112,083)	(6,827)
Change in assessment of realisation of deferred tax assets	7,775	2,020
Temporary differences not recognised as deferred tax liabilities	(6,682)	-
Other	2,442	3,591
Income tax expense	<u>\$ 351,987</u>	<u>\$ 507,443</u>

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

	2020		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
– Deferred tax assets:			
Unrealised inventory valuation loss	\$ 1,917	(\$ 249)	\$ 1,668
Long-term investment	6,436	-	6,436
Depreciation expenses	11,007	595	11,602
Unrealised exchange loss	11,165	8,445	19,610
Others	11,709	24,320	36,029
Subtotal	<u>42,234</u>	<u>33,111</u>	<u>75,345</u>
Temporary differences:			
– Deferred tax liabilities:			
Defined benefit liabilities	(947)	(242)	(1,189)
Unrealised exchange gain	(3,598)	2,127	(1,471)
Bargain purchase gain	(37,146)	-	(37,146)
Unrealised gain or loss on financial instrument	-	(26)	(26)
Others	(799)	(300)	(1,099)
Subtotal	<u>(42,490)</u>	<u>1,559</u>	<u>(40,931)</u>
Total	<u><u>(\$ 256)</u></u>	<u><u>\$ 34,670</u></u>	<u><u>\$ 34,414</u></u>

2019

	January 1	Recognised in profit or loss	December 31
Temporary differences:			
– Deferred tax assets:			
Unrealised inventory valuation loss	\$ 1,330	\$ 587	\$ 1,917
Long-term investment	6,436	-	6,436
Depreciation expenses	10,412	595	11,007
Unrealised exchange loss	2,801	8,364	11,165
Others	3,683	8,026	11,709
Subtotal	<u>24,662</u>	<u>17,572</u>	<u>42,234</u>
Temporary differences:			
– Deferred tax liabilities:			
Defined benefit liabilities	(396)	(551)	(947)
Unrealised exchange gain	(5,304)	1,706	(3,598)
Bargain purchase gain	(37,146)	-	(37,146)
Others	-	(799)	(799)
Subtotal	<u>(42,846)</u>	<u>356</u>	<u>(42,490)</u>
Total	<u>(\$ 18,184)</u>	<u>\$ 17,928</u>	<u>(\$ 256)</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary differences	\$ 297,962	\$ 259,087

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

(26) Earnings per share

	Year ended December 31, 2020		
	Amount after income tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,783,299	422,912	\$ 4.22
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	1,783,299	422,912	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	5,358	
Convertible bonds	10,523	35,286	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,793,822	463,556	\$ 3.87
Year ended December 31, 2019			
	Amount after income tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,294,520	396,649	\$ 3.26
<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	5,338	10,245	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,299,858	411,845	\$ 3.16

(27) Business combinations

- A. On September 6, 2019, Sigurd Microelectronics Corp. completed the acquisition of 58.77% shareholding interest of FLATEK, INC. with cash consideration of \$100,000 and obtained control over FLATEK, INC. and its subsidiaries (“Flatek Group”). Since then, Flatek Group was included in the consolidated financial statements. Sigurd Group is expecting to enhance its marketplace in assembly and testing services after acquiring Flatek Group, which offers IC programming and testing services.
- B. The following table summarises 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>
Consideration paid— Cash	\$ 100,000
Fair value of the non-controlling interest	45,883
	<u>145,883</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	109,807
Notes and accounts receivable	42,112
Inventories	24,040
Other current assets	28,284
Property, plant and equipment	45,326
Intangible assets	16,189
Other non-current assets	13,492
Short-term borrowings	(29,347)
Notes and accounts payable	(16,975)
Other current liabilities	(38,055)
Long-term borrowings	(23,251)
Other non-current liabilities	(26,044)
Total identifiable net assets	<u>145,578</u>
Goodwill	<u>\$ 305</u>

- C. 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.

(28) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31,	
	2020	2019
Acquisition of property, plant and equipment	\$ 6,858,414	\$ 3,870,031
Add: Opening balance of payable on equipment	820,160	233,659
Add: Ending balance of prepaid on equipment	77,573	6,043
Less: Opening balance of prepaid on equipment	(6,043)	(700)
Less: Ending balance of payable on equipment	(866,979)	(820,160)
Cash paid during the year	<u>\$ 6,883,125</u>	<u>\$ 3,288,873</u>

B. Financing activities with no cash flow effects

	Year ended December 31,	
	2020	2019
Convertible bonds being converted to capital stocks	<u>\$ 364,734</u>	<u>\$ 329,054</u>

(29) Changes in liabilities from financing activities

	2020					
	Short-term borrowings	Long-term borrowings	Bonds payable (include current portion)	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ 640,712	\$ 5,824,176	\$ 1,182,781	\$ 395,865	\$ 8,364	\$ 8,051,898
Changes in cash flow from financing activities	426,973	2,461,660	(400)	(158,112)	(1,375)	2,728,746
Interest paid	-	-	-	(20,920)	-	(20,920)
Changes in other non-cash items:						
Interest expense	-	-	-	20,920	-	20,920
Effect of foreign exchange	(554)	19,485	-	5,240	-	24,171
Option exercised	-	-	(364,734)	-	-	(364,734)
Discount on bonds payable	-	-	13,154	-	-	13,154
Increase in lease liabilities	-	-	-	556,209	-	556,209
Decrease in lease liabilities	-	-	-	(4,646)	-	(4,646)
At December 31	<u>\$ 1,067,131</u>	<u>\$ 8,305,321</u>	<u>\$ 830,801</u>	<u>\$ 794,556</u>	<u>\$ 6,989</u>	<u>\$ 11,004,798</u>

	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
Effect of foreign exchange	-	(72)	-	(3,725)	(9)	(3,806)
Option exercised	-	-	(329,054)	-	-	(329,054)
Discount on bonds payable	-	-	6,673	-	-	6,673
Administration fee of syndicated loans amortisation	-	6,802	-	-	-	6,802
Increase in lease liabilities	-	-	-	379,638	-	379,638
Others	29,347	25,525	(43,697)	-	-	11,175
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>

7. RELATED PARTY TRANSACTIONS

(30) Names of related parties and relationship

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

(31) Significant related party transactions

A. Operating revenue:

	<u>Year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Provision of services:		
Others	<u>\$ 36,345</u>	<u>\$ 30,523</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, 2020</u>	<u>December 31, 2019</u>
Receivables from related parties:		
Others	\$ 3,811	\$ 5,624

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

(32) Key management compensation

	<u>Year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 145,496	\$ 128,102
Post-employment benefits	2,254	2,235
Total	\$ 147,750	\$ 130,337

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, 2020</u>	<u>December 31, 2019</u>	
Reserve account- demand deposits (Note 1)	\$ -	\$ 6,419	Short-term and long-term borrowings
Letter of credit- demand deposits (Note 2)	81,203	-	Long-term usance L/C Issuance guarantee
Pledged time deposits (Note 2)	48,610	20,700	Guarantee for import customs and government grants
Property, plant and equipment	1,405,798	1,313,483	Short-term and long-term borrowings
	<u>\$ 1,535,611</u>	<u>\$ 1,340,602</u>	

Note 1: Shown as "Other current assets".

Note 2: Shown as "Non-current financial assets at amortised cost".

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

On August 5, 2015, Winstek Semiconductor Co., Ltd. and its subsidiary entered into a 5-year technical service contract with STATS ChipPAC Ltd. Under the contract, Winstek Semiconductor Co., Ltd. and its subsidiary shall reserve their production capacities for providing wafer assembly and testing services to STATS ChipPAC Ltd. during the 5-year contract period. The

terms of the contract are as follows:

- A. Winstek Semiconductor Co., Ltd. and its subsidiary shall reserve their monthly minimum production capacities to STATS ChipPAC Ltd. in order to provide services timely. Winstek Semiconductor Co., Ltd. and its subsidiary provide services within the scope of available production capacity if the order quantity placed by STATS ChipPAC Ltd. is within the minimum and maximum production capacities; Winstek Semiconductor Co., Ltd. and its subsidiary have no obligation to provide additional services if the order quantity placed by STATS ChipPAC Ltd. is beyond the maximum production capacities of Winstek Semiconductor Co., Ltd. and its subsidiary.
- B. Under the contract, order quantities from STATS ChipPAC Ltd. shall meet the agreed minimum order quantity, and Winstek Semiconductor Co., Ltd. and its subsidiary have a right to claim a compensation for the residual capacities between the order quantities 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 compensate Winstek Semiconductor Co., Ltd. and its subsidiary for those order quantities which do not reach the minimum order quantity, excluding those deferrals. The deferral right can be exercised once every year, and those deferrals can not be further deferred in the next year. In addition, the deferral right can not be exercised at the last year of the contract period.
- C. Further, 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 subsidiary is as follows:

Unit: Thousands of USD

	Second year	Third year	Fourth year	Fifth year
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>

Winstek Semiconductor Co., Ltd. has claimed the compensation from STATS ChipPAC Ltd. for not meeting the minimum order quantity of the second and third contractual years in accordance with the contract. Additionally, 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 extend 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 subsidiary is as follows:

	Unit: Thousands of USD	
	Sixth Year	Seventh Year
Minimum procurement amount	\$ 30,000	\$ 30,000

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

The aforementioned settlement was further negotiated bases on the proposal from STATS ChipPAC Ltd. and resolved on March 19, 2019 by the Board of Directors of Winstek Semiconductor Co., Ltd. that STATS ChipPAC Ltd. agreed to pay the compensation of US\$5,000 thousand (\$153,850) for those amounts not meeting minimum order quantity in the third contractual year. The compensation was fully recognised in compensation revenue.

- D. In the fourth contractual year (from August 5, 2018 to August 4, 2019) of the 5-year technical service contract that Winstek Semiconductor Co., Ltd. and its subsidiary signed with STATS ChipPAC Ltd. on August 5, 2015, the consolidated order quantities purchased was US\$36,435 thousand and with 5% of minimum order quantity deferred to the next year. STATS ChipPAC Ltd. entered into a settlement agreement with Winstek Semiconductor Co., Ltd. and its subsidiary for those amounts not meeting the minimum order quantity on October 16, 2019. STATS ChipPAC Ltd. agreed to pay compensation to Winstek Semiconductor Co., Ltd. and its subsidiary amounting to US\$20,520 thousand. The compensation was fully collected and recognised in compensatory revenue.

E. In the fifth contractual year (from August 5, 2019 to August 4, 2020), STATS ChipPAC Ltd.'s consolidated order quantities was US\$54,135 thousand. On November 9, 2020, STATS ChipPAC Ltd. agreed to pay compensation amounting to US\$383 thousand for those order quantities not meeting the minimum order quantity. The compensation was fully collected and recognised in compensatory revenue.

(2) Commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	\$ 1,792,895	\$ 1,075,199

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- A. Please refer to Note 6(16) for the appropriation for 2020 earnings.
- B. On January 25, 2021, the Board of Directors of the Company resolved to obtain all issued shares of UTC Holdings Corporation from UTAC Taiwan Holdings for a cash consideration of US\$165 million (approximately \$4.62 billion) and indirectly acquired all shares of UTAC Taiwan Corporation held by UTC Holdings Corporation.
- C. On March 10, 2021, the Board of Directors of the Company resolved to issue the Company's 2021 1st secured corporate bonds with upper limit of \$3 billion (face value), which has yet to be approved by the FSC.

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 borrowings (including current and non-current borrowings as reported in the consolidated balance sheet) less 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 2020 remained the same as that of 2019, which was committed to maintain the debt-to-capital ratio at around 40%. As of December 31, 2020 and 2019, Sigurd Group's debt ratio was both less than 40%.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</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	\$ 532,109	\$ 338,007
Financial assets at fair value through other comprehensive income	878,100	495,733
Financial assets at amortised cost		
Cash and cash equivalents	5,628,675	4,620,939
Financial assets at amortised cost (including non-current portion)	2,683,977	4,350,588
Notes receivable	396	672
Accounts receivable (including related parties)	3,307,723	3,074,057
Other receivables	32,833	58,568
Refundable guarantee deposits	30,576	25,259
	<u>\$ 13,094,389</u>	<u>\$ 12,963,823</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,067,131	\$ 640,712
Notes payable	2,658	2,410
Accounts payable	379,746	227,422
Other payables	2,650,287	2,261,931
Corporate bonds payable (including current portion)	830,801	1,182,781
Long-term borrowings (including current portion)	8,305,321	5,824,176
Guarantee deposits received	6,989	8,364
	<u>\$ 13,242,933</u>	<u>\$ 10,147,796</u>
Lease liabilities	<u>\$ 794,556</u>	<u>\$ 395,865</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. The overall risk management policies are carried out to focus on unforeseen events in markets and to minimise any adverse effects on the financial position and financial performance of Sigurd Group.
- (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 using various functional currencies, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up policies to require group companies to manage their foreign exchange risk against their functional currencies. Group companies are required to hedge their entire foreign exchange risk exposure through coordination with Sigurd Group treasury. Foreign exchange rate risk is resulted by each business unit records their future commercial transactions and recognised 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 currencies: RMB and 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, 2020		
				Foreign currency amount		Book value
				(in thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$	123,938		28.480	\$	3,529,754
NTD:USD		427,936		0.035		427,936
USD:RMB		13,815		0.153		393,451
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$	32,889		28.480	\$	936,679
NTD:USD		625,072		0.035		625,072
USD:RMB		40,429		0.153		1,151,418
				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	\$	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

- iv. The total exchange loss from significant foreign exchange variations on the monetary items held by Sigurd Group for the years ended December 31, 2020 and 2019 amounted to \$127,946 and \$66,856, respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variations:

		Year ended December 31, 2020		
		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%	\$	35,298	\$ -
NTD:USD	1%		4,279	-
USD:RMB	1%		3,934	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	9,367)	\$ -
NTD:USD	1%	(6,251)	-
USD:RMB	1%	(11,514)	-
		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)	-

Price risk

- i. Sigurd Group's investments in equity securities, which are exposed to price risk, consist of 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, 2020 and 2019 would have increased/decreased by \$3,513 and \$1,670, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss; other comprehensive income would have increased/decreased by \$8,781 and \$4,957, respectively, as a result of the above change of financial assets 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 floating rates, which expose Sigurd Group to cash flow interest rate risk. During 2020 and 2019, Sigurd Group's borrowings at floating rate were mainly denominated in New Taiwan dollars and US dollars.
 - ii. Sigurd Group's borrowings are measured at amortised 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, 2020 and 2019 would have decreased/increased by \$93,725 and \$64,649, 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 amortised 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 perspective. 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 entity in Sigurd Group 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 credit limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. Sigurd Group adopts the assumptions under IFRS 9, and the default occurs when the contract payments are past due over 90 days.
- iv. Sigurd Group categorised 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 treated 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 into bankruptcy or other financial reorganisation due to financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
 - (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 forecastability of historical and current information to assess the default possibility of accounts receivable and contract assets. As of December 31, 2020 and 2019, 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	Over 180 days	Total
<u>At December 31, 2020</u>						
Expected loss rate	0.001%~0.002%	0.001%~0.06%	0.08%~30%	0.26%~50%	50%~100%	
Total book value	\$ 3,329,849	\$ 82,306	\$ 4,305	\$ 509	\$ 48,397	\$ 3,465,366
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ 47,771	\$ 47,771

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 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

viii. Sigurd Group writes 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. Sigurd Group has no financial assets subject to write off on December 31, 2020 and 2019. Additionally, in 2020, Sigurd Group wrote-off the prior year financial assets amounting to \$3,552, which cannot be reasonably expected to be recovered.

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

	<u>2020</u>
	Notes receivable and accounts receivable
At January 1	\$ 53,839
Writes off	(3,552)
Unwinding of discount	-
Effect of foreign exchange	(2,516)
At December 31	<u>\$ 47,771</u>

	<u>2019</u>
	<u>Notes receivable and accounts receivable</u>
At January 1	\$ 55,587
Reversal of impairment loss	518
Effect of foreign exchange	(2,266)
At December 31	<u>\$ 53,839</u>

- x. Sigurd Group used the forecastability of external research report to adjust historical and current information for a specific period to assess the default possibility of other receivables. As of December 31, 2020 and 2019, the provision matrix is as follows:

<u>At December 31, 2020</u>	<u>Not past due</u>
Expected loss rate	0~100%
Total book value	\$ 37,173
Loss allowance	<u>\$ -</u>

<u>At December 31, 2019</u>	<u>Not past due</u>
Expected loss rate	0~100%
Total book value	\$ 58,568
Loss allowance	<u>\$ -</u>

(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 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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Floating rate:		
Expiring within one year	\$ 2,281,976	\$ 1,943,647
Expiring beyond one year	2,079,379	2,010,000
	<u>\$ 4,361,355</u>	<u>\$ 3,953,647</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, 2020	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	\$ 1,069,985	\$ -	\$ -	\$ -	\$ 1,069,985
Notes payable	2,658	-	-	-	2,658
Accounts payable	379,746	-	-	-	379,746
Other payables	2,650,287	-	-	-	2,650,287
Lease liabilities	252,390	245,168	62,006	337,644	897,208
Bonds payable (including current portion)	-	-	847,500	-	847,500
Long-term borrowings (including current portion)	2,802,455	1,059,385	1,971,505	2,642,327	8,475,672

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	\$ 643,232	\$ -	\$ -	\$ -	\$ 643,232
Notes payable	2,410	-	-	-	2,410
Accounts payable	227,422	-	-	-	227,422
Other payables	2,261,931	-	-	-	2,261,931
Lease liabilities	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

(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

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 351,278	\$ -	\$ -	\$ 351,278
Corporate bonds	146,138	-	-	146,138
Convertible bonds	34,693	-	-	34,693
Financial assets at fair value through other comprehensive income				
Equity securities	109,053	-	769,047	878,100
	<u>\$ 641,162</u>	<u>\$ -</u>	<u>\$ 769,047</u>	<u>\$ 1,410,209</u>
December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
<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
Corporate bonds	129,781	-	-	129,781
Convertible bonds	41,254	-	-	41,254
Financial assets 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) 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 Convnertible 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.

D. For the years ended December 31, 2020 and 2019, 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
	<u>Equity securities</u>	<u>Equity securities</u>
At January 1	\$ 449,601	\$ 521,770
Gains and losses recognised in other comprehensive income		
Recorded as unrealised gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	319,446	173,351
Sold in the year	<u>-</u>	<u>(245,520)</u>
At December 31	<u>\$ 769,047</u>	<u>\$ 449,601</u>

F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

G. Group treasury 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 Convertible 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 measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument: Unlisted shares	\$ 769,047	Net asset value	Not applicable	0.90	The higher the net asset value, the higher the fair value
	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

(4) The impact of coronavirus pandemic to the operations of Sigurd Group

Sigurd Group has assessed the impact of coronavirus pandemic to the going concern, impairment of assets and the risk of financing risk of Sigurd Group and concluded that there is no significant impact.

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: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting year: None.
- J. Significant inter-company transactions during the reporting year: Please refer to table 6.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

(4) Major shareholders information

Major shareholders information: As of December 31, 2020, there is no major shareholder who held equally or more than 5% shareholding of the Company.

14. SEGMENT INFORMATION

(1) General information

The management of Sigurd Group has identified reporting segments based on the information used by the chief operating decision maker in decision making.

Sigurd Group's chief operating decision maker has conducted businesses from a product line perspective. Sigurd Group's segments include assembly and testing and international trading.

(2) Measurement of segment information

The General Manager evaluates the performance of reporting segments based on a measure excluded the effects of non-recurring expenditure such as restructuring costs, legal fees and goodwill impairments when the impairment is the result of an isolated, non-recurring event, as well as the effects of equity-settled share-based payment and unrealised gains/losses on financial instruments. Interest income and expense are not allocated to reporting segments, as these types of activities are driven by Sigurd Group's Group treasury, 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 reporting segments is as follows:

	Year ended December 31, 2020		
	Assembly and testing	International	
		trading	Total
Revenue from external customers	\$ 12,428,549	\$ -	\$ 12,428,549
Segment income (loss) (Note)	2,286,628	(8,052)	2,278,576

	December 31, 2020		
	Assembly and testing	International	
		trading	Total
Segment Assets	\$ 29,627,448	\$ 186,463	\$ 29,813,911

	Year ended December 31, 2019		
	Assembly and testing	International	
		trading	Total
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		
	Assembly and testing	International	
		trading	Total
Segment assets	\$ 24,692,566	\$ 50,795	\$ 24,743,361

Note: Exclusive of income tax.

(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.

Revenue, profit and loss, assets and liabilities under reporting segments are carried out the same manner as in the consolidated financial statements. Thus, no reconciliation is needed.

(5) Information on products and services

External customer revenue is mainly derived from the assembly and testing services of integrated circuits. The performance of reporting segments is the same as that in Note 6 (18).

(6) Geographical information

Geographical information for the years ended December 31, 2020 and

2019 is as follows:

	<u>Year ended December 31, 2020</u>		<u>Year ended December 31, 2019</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 7,529,163	\$ 13,162,977	\$ 5,199,122	\$ 10,774,080
Singapore	2,674,902	-	2,763,996	-
America	767,606	-	599,005	-
China	598,377	2,495,111	906,986	398,988
Others	858,501	3,936	577,510	6,515
Total	<u>\$ 12,428,549</u>	<u>\$ 15,662,024</u>	<u>\$ 10,046,619</u>	<u>\$ 11,179,583</u>

(7) Major customers information

Major customers information of Sigurd Group for the years ended December 31, 2020 and 2019 is as follows:

	<u>Year ended December 31, 2020</u>		<u>Year ended December 31, 2019</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
A	\$ 2,248,136	All group	\$ 1,207,892	All group
B	1,354,237	All group	470,586	All group
E	1,317,872	All group	1,129,581	All group
D	1,120,919	All group	678,007	All group
H	996,767	All group	2,061,752	All group
I	235,032	All group	673,180	All group

V. The unconsolidated financial reports for the most recent year audited and attested by CPAs
INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 20000444

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, 2020 and 2019, 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 auditors (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, 2020 and 2019, 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. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other independent auditors, 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 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's parent company only financial statements of the current period is stated as follows:

Capitalisation of property, plant and equipment

Description

The Company increased the capital expenditure to meet 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 capitalisation of property, plant and equipment is significant to the Company's parent company only financial statements, thus, we identified the audit of capitalisation of property, plant and equipment as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

Assessed and validated the effectiveness of the internal control system over additions to property, plant and equipment and respective timing to commence depreciation, as well as sample tested and examined respective purchase orders and invoices to ensure that transactions were approved accordingly and recognised amounts were accurate. Sample tested and examined the acceptance documents to validate the appropriateness of the timing that assets are ready for use and are recorded in property listing and timely commencement of depreciation recognition.

Other matter — Audited by other independent auditors

We did not audit the 2020 and 2019 financial statements of certain investee companies accounted for using the equity method. Those financial statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the reports of other independent auditors. Investments accounted for using equity method amounted to NT\$ 84,465 thousand and NT\$ 80,511 thousand, constituting 0.35% and 0.40% of total assets, as at December 31, 2020 and 2019, respectively, and their comprehensive income (loss) amounted to NT\$

3,955 thousand and NT(\$ 36,992) thousand, constituting 0.20% and (2.63%) of the total comprehensive income (loss) for the years ended December 31, 2020 and 2019, respectively.

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 controls as the management determines are 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 a 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 the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls 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 controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the 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 controls 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 those matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the parent company only financial statements of the current period and is therefore the key audit matter. We describe the matter 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.

Hsieh, Chih-Cheng

Chiang, Tsai-Yen

For and on behalf of PricewaterhouseCoopers, Taiwan
March 10, 2021

The accompanying parent company only financial statements are not intended to present the parent company only financial position and parent company only results of operations and parent company only 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 parent company only 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 auditors 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 parent company only financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan 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
DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,432,217	14	\$ 2,852,266	14
1110	Current financial assets at fair value through profit or loss	6(2)	532,109	2	338,007	2
1136	Current financial assets at amortised cost	6(4)	406,320	2	1,728,480	9
1140	Current contract assets	6(19)	89,343	-	100,274	-
1170	Accounts receivable, net	6(5)	2,286,498	10	1,649,706	8
1180	Accounts receivable - related parties, net	6(5) and 7	64,260	-	6,436	-
1200	Other receivables		19,297	-	32,115	-
1210	Other receivables - related parties	7	107,197	1	1,019	-
130X	Inventories	6(6)	92,966	-	60,754	-
1410	Prepayments	7	370,422	2	225,080	1
1470	Other current assets	8	1,297	-	5,569	-
11XX	Total current assets		<u>7,401,926</u>	<u>31</u>	<u>6,999,706</u>	<u>34</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	868,140	4	495,733	3
1535	Non-current financial assets at amortised cost	6(4) and 8	56,910	-	30,000	-
1550	Investments accounted for using equity method	6(7)	5,371,460	22	4,748,831	24
1600	Property, plant and equipment	6(8) and 8	9,956,610	41	7,957,026	39
1755	Right-of-use assets	6(9)	501,943	2	32,575	-
1780	Intangible assets		23,900	-	22,878	-
1840	Deferred tax assets	6(26)	46,167	-	19,401	-
1920	Other non-current assets		11,520	-	11,094	-
15XX	Total non-current assets		<u>16,836,650</u>	<u>69</u>	<u>13,317,538</u>	<u>66</u>
1XXX	Total assets		<u>\$ 24,238,576</u>	<u>100</u>	<u>\$ 20,317,244</u>	<u>100</u>

(Continued)

SIGURD MICROELECTRONICS CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(10) and 8	\$ 837,426	3	\$ 571,242	3
2130	Current contract liabilities	6(19)	7,575	-	1,188	-
2150	Notes payable		2	-	800	-
2170	Accounts payable		141,609	1	121,878	1
2200	Other payables	6(11)	1,643,597	7	1,539,554	7
2220	Other payables - related parties	7	24,984	-	9,378	-
2230	Current income tax liabilities		281,813	1	177,704	1
2280	Current lease liabilities		443,105	2	20,012	-
2300	Other current liabilities	6(12)(13) and 8	3,790,962	16	2,975,726	15
21XX	Total current liabilities		<u>7,171,073</u>	<u>30</u>	<u>5,417,482</u>	<u>27</u>
Non-current liabilities						
2530	Bonds payable	6(12)	830,801	3	1,162,846	6
2540	Long-term borrowings	6(13) and 8	3,257,910	14	2,227,015	11
2570	Deferred tax liabilities	6(26)	37,146	-	37,146	-
2580	Non-current lease liabilities		20,258	-	13,953	-
2600	Other non-current liabilities	6(7)(14)	225,071	1	205,148	1
25XX	Total non-current liabilities		<u>4,371,186</u>	<u>18</u>	<u>3,646,108</u>	<u>18</u>
2XXX	Total liabilities		<u>11,542,259</u>	<u>48</u>	<u>9,063,590</u>	<u>45</u>
Equity						
Share capital						
3110	Ordinary share	6(15)	4,316,114	18	4,206,834	21
Capital surplus						
3200	Capital surplus	6(16)	715,446	3	923,672	4
Retained earnings						
3310	Legal reserve	6(17)	1,351,118	5	1,218,457	6
3320	Special reserve		-	-	48,273	-
3350	Unappropriated retained earnings		6,029,494	25	4,822,385	24
Other equity interest						
3400	Other equity interest	6(18)	284,145	1	34,033	-
3XXX	Total equity		<u>12,696,317</u>	<u>52</u>	<u>11,253,654</u>	<u>55</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the reporting period						
3X2X	Total liabilities and equity		<u>\$ 24,238,576</u>	<u>100</u>	<u>\$ 20,317,244</u>	<u>100</u>

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

SIGURD MICROELECTRONICS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Items	Notes	Year ended December 31				
		2020		2019		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(19) and 7	\$ 8,404,291	100	\$ 6,130,926	100
5000	Operating costs	6(6)(23)(24)	(5,603,166)	(67)	(4,319,172)	(70)
5900	Gross profit from operations		2,801,125	33	1,811,754	30
5950	Gross profit from operations		2,801,125	33	1,811,754	30
	Operating expenses	6(23)(24) and 7				
6100	Selling and marketing expenses		(89,930)	(1)	(86,013)	(2)
6200	General and administrative expenses		(341,346)	(4)	(256,879)	(4)
6300	Research and development expenses		(401,498)	(5)	(253,114)	(4)
6000	Total operating expenses		(832,774)	(10)	(596,006)	(10)
6900	Operating profit		1,968,351	23	1,215,748	20
	Non-operating income (expenses)					
7100	Interest income	6(20)	16,056	-	26,571	-
7010	Other income	6(21) and 7	66,300	1	40,377	1
7020	Other gains and losses	6(22) and 7	(60,953)	(1)	(6,769)	-
7050	Finance costs	6(23)	(78,138)	(1)	(59,492)	(1)
7070	Share of profit of subsidiaries and associates, joint ventures accounted for using equity method	6(7)	171,101	2	359,684	6
7000	Total non-operating income (expenses)		114,366	1	360,371	6
7900	Profit before income tax		2,082,717	24	1,576,119	26
7950	Income tax expense	6(26)	(299,418)	(4)	(281,599)	(5)
8200	Profit for the year		\$ 1,783,299	20	\$ 1,294,520	21
	Other comprehensive (loss) income					
	Components of other comprehensive (loss) income that will not be reclassified to profit or loss	6(3)(18)				
8311	Losses on remeasurements of defined benefit plan		(\$ 28,122)	-	(\$ 10,428)	-
8316	Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income		322,367	4	175,607	3
8310	Components of other comprehensive income that will not be reclassified to profit or loss		294,245	4	165,179	3
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	6(18)				
8361	Exchange differences on translation of foreign operations		(72,255)	(1)	(50,780)	(1)
8360	Components of other comprehensive loss that will be reclassified to profit or loss		(72,255)	(1)	(50,780)	(1)
8500	Total comprehensive income for the year		\$ 2,005,289	23	\$ 1,408,919	23
	Basic earnings per share (in dollars)	6(27)				
9750	Basic earnings per share		\$ 4.22		\$ 3.26	
	Diluted earnings per share (in dollars)	6(27)				
9850	Diluted earnings per share		\$ 3.87		\$ 3.16	

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
		Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences On Translation of Foreign Operations	Unrealized Gains (Losses) From Financial Assets Measured at Fair Value through Other Comprehensive Income	
2019									
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 income (loss)		-	-	-	-	1,284,092	(50,780)	175,607	1,408,919
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 distribution from capital surplus	6(16)(17)	-	(403,576)	-	-	-	-	-	(403,576)
Issuance of corporate bonds	6(16)	-	43,697	-	-	-	-	-	43,697
Conversion of corporate bonds	6(15)(16)	137,276	191,778	-	-	-	-	-	329,054
Issuance of share capital	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		\$ 4,206,834	\$ 923,672	\$ 1,218,457	\$ 48,273	\$ 4,822,385	(\$ 6,699)	\$ 40,732	\$ 11,253,654
2020									
Balance at January 1, 2020		\$ 4,206,834	\$ 923,672	\$ 1,218,457	\$ 48,273	\$ 4,822,385	(\$ 6,699)	\$ 40,732	\$ 11,253,654
Profit for the year		-	-	-	-	1,783,299	-	-	1,783,299
Other comprehensive (loss) income for the year	6(18)	-	-	-	-	(28,122)	(72,255)	322,367	221,990
Total comprehensive income (loss)		-	-	-	-	1,755,177	(72,255)	322,367	2,005,289
Distribution of 2019 earnings:	6(17)								
Legal reserve		-	-	132,661	-	(132,661)	-	-	-
Reversal of special reserve		-	-	-	(48,273)	48,273	-	-	-
Cash dividends		-	-	-	-	(463,680)	-	-	(463,680)
Cash distribution from capital surplus	6(16)(17)	-	(463,680)	-	-	-	-	-	(463,680)
Conversion of corporate bonds	6(15)(16)	109,280	255,454	-	-	-	-	-	364,734
Balance at December 31, 2020		\$ 4,316,114	\$ 715,446	\$ 1,351,118	\$ -	\$ 6,029,494	(\$ 78,954)	\$ 363,099	\$ 12,696,317

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	Year ended December 31,	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		\$ 2,082,717	\$ 1,576,119
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(24)	2,006,335	1,593,980
Amortisation	6(24)	16,027	15,918
Net profit on financial assets at fair value through profit or loss	6(2)(22)	(46,228)	(8,020)
Finance costs	6(23)	78,138	59,492
Interest income	6(21)	(16,056)	(26,571)
Dividends income	6(21)	(12,495)	(9,119)
Share of profit of subsidiarise, associates and joint ventures accounted using equity method		(171,101)	(359,684)
Gain on disposal of property, plant and equipment	6(22)	(23,833)	(45,336)
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		(147,874)	(171,006)
Contract assets		10,931	(19,553)
Accounts receivable		(636,792)	(223,838)
Accounts receivable - related parties		(57,824)	3,522
Other receivables		10,969	(21,857)
Other receivables - related parties		(3,342)	2,834
Inventories		(32,212)	9,141
Prepayments		(145,235)	(74,771)
Other current assets		4,271	(919)
Changes in operating liabilities			
Notes payable		(798)	800
Contract liabilities		6,387	(412)
Accounts payable		19,731	19,965
Other payables		355,408	173,900
Other payables - related parties		(7,716)	9,261
Other current liabilities		126,326	30,933
Defined benefit liabilities		(724)	(525)
Cash generated from operations		3,415,010	2,534,254
Interest received		17,905	29,246
Dividends received		112,745	129,419
Interest paid		(76,686)	(58,951)
Income tax paid		(222,074)	(296,362)
Net cash generated from operating activities		3,246,900	2,337,606

(Continued)

SIGURD MICROELECTRONICS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31,	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 412,300)	(\$ 2,308,480)
Proceeds from disposal of financial assets at amortised cost		1,707,550	1,328,480
Acquisition of financial assets at fair value through other comprehensive income		(50,000)	(30,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	-	239,280
Acquisition of investments accounted for using equity method	6(7)	(630,150)	(875,550)
Acquisition of property, plant and equipment	6(28)	(4,301,246)	(2,625,626)
Proceeds from disposal of property, plant and equipment		47,272	52,941
Acquisition of intangible assets		(16,310)	(12,461)
Increase in refundable deposits		(4,324)	-
Decrease in refundable deposits		3,898	1,012
Net cash flows used in investing activities		<u>(3,655,610)</u>	<u>(4,230,404)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(29)	2,233,736	1,534,642
Repayments of short-term borrowings	6(29)	(1,967,552)	(997,604)
Proceeds from issuance of corporate bonds	6(29)	-	1,203,165
Repayments of corporate bonds	6(29)	(400)	-
Proceeds from long-term borrowings	6(29)	12,678,000	10,287,937
Repayment of long-term borrowings	6(29)	(10,938,259)	(9,421,800)
Increase in guarantee deposits received	6(29)	2,920	911
Decrease in guarantee deposits received	6(29)	(4,318)	(1,250)
Repayments of lease liabilities	6(29)	(88,106)	(23,279)
Cash dividends paid	6(17)	(463,680)	(403,576)
Cash distribution from capital surplus	6(16)(17)	(463,680)	(403,576)
Proceeds from issuance of share capital	6(15)(16)	-	450,500
Net cash flows from financing activities		<u>988,661</u>	<u>2,226,070</u>
Net increase in cash and cash equivalents		579,951	333,272
Cash and cash equivalents at beginning of year	6(1)	2,852,266	2,518,994
Cash and cash equivalents at end of year	6(1)	<u>\$ 3,432,217</u>	<u>\$ 2,852,266</u>

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, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS
OTHERWISE INDICATED)

1.HISTORY AND ORGANISATION

Sigurd Microelectronics Corporation (formerly named More Power Electronic Co., Ltd., 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 turnkey assembly and testing services to customers. The name of the Company was changed to Sigurd Microelectronics Corporation on November 27, 1998. The main business activities of the Company 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 was retained. The effective date for the merger 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 was retained. The effective date for the merger was June 12, 2006.

On May 8, 2013, the Company Board of Directors resolved to acquire Meicer Semiconductor Co., Ltd. whose main business was integrated circuits packaging. The Company is the surviving company and the effective date for the merger was May 31, 2013.

2.THE DATE OF AND PROCEDURES FOR AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

These parent company only financial statements were authorised for issuance by the Board of Directors on March 10, 2021.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

(1) Effect of the adoption of new or amended International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standard Board (“IASB”)
Amendments 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

Amendment to IFRS 16, ‘Covid-19-related rent concessions’ June 1, 2020 (Note)

Note: Early application from January 1, 2020 is allowed by FSC.

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

(2) Effect of new or amended IFRSs as endorsed by the FSC but not yet adopted

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest rate benchmark reform— phase 2’	January 1, 2021

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets present value of defined benefit obligation.

B. The preparation of parent company only 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 parent company only financial statements of the Company are measured using the currency of the primary economic environment in which the Company 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 recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses 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 recognised in other comprehensive income (loss).
- (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 realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (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 amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income 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 recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as 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.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- 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 amortised cost at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

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

- A. The contractual rights to receive 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 realisable 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 realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(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. Unrealised profit (loss) occurred from the transactions between the Company and subsidiaries have been eliminated. The accounting policies of 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 recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income its recognised 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 recognise losses proportionate to its ownership.
- D. If changes in the Company's ownership interests 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 recognised 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 consolidated 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 capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. 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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised 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;
- (b) Any lease payments made at or before the commencement date;
- (c) 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 recognised as an adjustment to the right-of-use asset.

(16) Intangible assets

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

(17) Impairment of non-financial assets

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

(18) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised 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 capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(19) 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.

(20) 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). The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity in accordance with the contract terms. They are accounted for as follows:

- (a) The host contracts of bonds are initially recognised 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 amortised 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 equity are initially recognised 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."

(21) 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 recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit 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 recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporation bonds, the Company uses interests rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or

substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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 at the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. A deferred tax assets shall be recognised for the carry forward of unused tax credits resulting from acquisitions of equipment or technology and research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(23) Share capital

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.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividend 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 shares issuance.

(25) Revenue recognition

Provision of services

A. The Company provides the services of research and design, engineering and testing of integrated circuits. An entity recognises revenue over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs; (b) the entity's performance creates or enhances an asset that the customer controls as the asset is created; (c) or the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. The testing and packaging services provided by the Company are in compliance with the (b) above, and shall be gradually recognised as revenue over time, and recognised as revenue via the progress towards completion satisfaction of performance obligation.

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.

(26) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; 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, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 772	\$ 510
Checking accounts and demand deposits	1,626,695	873,116
Time deposits	1,804,750	1,978,640
	<u>\$ 3,432,217</u>	<u>\$ 2,852,266</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

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ -	\$ 2,411
Beneficiary certificates	334,678	175,113
Corporate bonds	143,480	122,732
Convertible bonds	18,906	40,290
	<u>497,064</u>	<u>340,546</u>
Valuation Adjustment	35,045	(2,539)
	<u>\$ 532,109</u>	<u>\$ 338,007</u>

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

<u>Items</u>	<u>Year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 265	\$ 481
Beneficiary certificates	16,904	8,191
Corporate bonds	2,455	(1,595)
Convertible bonds	26,604	943
	<u>\$ 46,228</u>	<u>\$ 8,020</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, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Listed stocks	\$ 140,000	\$ 90,000
Unlisted stocks	<u>360,640</u>	<u>360,640</u>
	500,640	450,640
Valuation adjustment	<u>367,500</u>	<u>45,093</u>
	<u>\$ 868,140</u>	<u>\$ 495,733</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 \$868,140 and \$495,733 as at December 31, 2020 and 2019, respectively.
- B. During the year ended December 31, 2019, for the purpose of capital expenditure, the Company sold \$239,280 of unlisted stocks at fair value and resulted in cumulative gains of \$39,280 on disposal and was recognised directly to retained earnings. Additionally, the Company did not sell any financial assets at fair value through other comprehensive income during the year ended December 31, 2020.
- C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Year ended December 31,	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>\$ 322,407</u>	<u>\$ 174,138</u>
Cumulative gains reclassified to retained earnings due to derecognition	<u>\$ -</u>	<u>(\$ 39,280)</u>
Dividend income recognised in profit or loss held at end of year	<u>\$ 12,362</u>	<u>\$ 9,000</u>

- D. As at December 31, 2020 and 2019, 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 \$868,140 and \$495,733, 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 amortised cost

Items	December 31, 2020	December 31, 2019
Current items:		
Time deposits	\$ 406,320	\$ 1,728,480
Non-current items:		
Pledged time deposits	\$ 26,910	\$ -
Corporate bonds	30,000	30,000
	\$ 56,910	\$ 30,000

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

	Year ended December 31,	
	2020	2019
Interest income	\$ 4,691	\$ 5,260

B. As of December 31, 2020 and 2019, 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 amortised cost held by the Company was \$463,230 and \$1,758,480, respectively.

C. On December 31, 2020, time deposits amounting to \$26,910, which was restricted for the purpose of guaranteeing the Company's participation of the government grants were shown as "Non-current financial assets at amortised cost". Please refer to Note 8 for details.

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

(5) Accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 2,286,498	\$ 1,653,258
Accounts receivable - related parties	64,260	6,436
	2,350,758	1,659,694
Less: Loss allowance	-	(3,552)
	\$ 2,350,758	\$ 1,656,142

A. The ageing analysis of accounts receivable is as follows:

	December 31, 2020	December 31, 2019
	Accounts receivable	Accounts receivable
Not past due	\$ 2,329,338	\$ 1,632,365
Up to 30 days	20,767	21,627
31 to 90 days	653	126
91 to 180 days	-	2,024
Over 181 days	-	3,552
	<u>\$ 2,350,758</u>	<u>\$ 1,659,694</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$1,439,378.

C. As at December 31, 2020 and 2019, 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 was \$2,350,758 and \$1,656,142, respectively.

D Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2020		
	Costs	Allowance for valuation loss	Carrying Amount
Raw materials	\$ 69,935	(\$ 1,758)	\$ 68,177
Supplies	20,493	-	20,493
Work in progress	4,747	(454)	4,293
Finished goods	3	-	3
	<u>\$ 95,178</u>	<u>(\$ 2,212)</u>	<u>\$ 92,966</u>
	December 31, 2019		
	Costs	Allowance for valuation 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
	<u>\$ 66,301</u>	<u>(\$ 5,547)</u>	<u>\$ 60,754</u>

The cost of inventories recognised as expense for the years:

	Year ended December 31,	
	2020	2019
Cost of goods used	\$ 5,606,465	\$ 4,321,925
Inventory valuation (gain) loss	(3,335)	218
Inventory scrapped	1,672	-
Revenue from sale of scrapped inventories	(1,636)	(2,971)
	<u>\$ 5,603,166</u>	<u>\$ 4,319,172</u>

The Company recognised inventory valuation gain for the year ended December 31, 2020 because some of the inventories previously written down were sold.

(7) Investments accounted for using equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries:		
Sigurd International Co., Ltd.	\$ 179,756	\$ 166,871
Burgurd Co., Ltd.	(40,711)	(40,434)
TEST-SERV Inc.	1,304,772	1,265,115
Bloomeria Limited	2,560,111	2,501,759
Flusol Co., Ltd.	1,194,527	716,783
AMBERSAN Medical Technology Co., Ltd.	32,037	17,792
FLATEK, INC.	84,465	80,511
Ge-Shing Cooperation	15,792	-
	<u>5,330,749</u>	<u>4,708,397</u>
Add: Burgurd Co., Ltd. (shown as "Other non-current liabilities")	40,711	40,434
	<u>\$ 5,371,460</u>	<u>\$ 4,748,831</u>

Share of profit from subsidiaries for the years ended December 31, 2020 and 2019:

	2020	2019
Subsidiaries:		
Sigurd International Co., Ltd.	(\$ 9,597)	\$ 396
Burgurd Co., Ltd.	(277)	(2,076)
TEST-SERV Inc.	142,673	117,204
Bloomeria Limited	157,451	290,253
Flusol Co., Ltd	(119,232)	(23,881)
AMBERSAN Medical Technology Co., Ltd.	(3,906)	(358)
FLATEK, INC.	3,424	(21,854)
Ge-Shing Cooperation	565	-
	<u>\$ 171,101</u>	<u>\$ 359,684</u>

- A. Details of the Company's subsidiaries are provided in Note 4(3) in the Company's 2020 consolidated financial statements.
- B. AMBERSAN Medical Technology Co., Ltd. was established on September 19, 2019. The Company invested \$18,150 to obtain its 55% shareholding. On May 25, 2020, AMBERSON Medical Technology Co., Ltd. increased its capital by \$33,000 and the Company invested \$18,150 in proportionate to its shareholding.
- C. On September 6, 2019, the Company completed the acquisition of 58.77% shareholding of FLATEK, INC. with consideration of \$100,000 in cash.
- D. Flusol Co., Ltd., a foreign subsidiary originally wholly-owned by Sigurd International Co., Ltd., increased its capital by cash, amounting to US\$ 45,000 thousand. The Company has made the investment directly by remitting US\$ 45,000 thousand (\$1,359,400) as Flusol Co., Ltd.'s capital. As of December 31, 2020. The Company held 96.66% of Flusol Co., Ltd.'s shareholding.
- E. Ge-Shing Cooperation was established on March 12, 2020. The Company invested \$10,000 to obtain its 100% shareholding.
- F. To improve group overall operating efficiency, on July 6, 2020, Bloomeria Limited, the subsidiary of the Company, swapped all 70,694,438 shares it held in Winstek Semiconductor Technology Co., Ltd. (consisting approximately 51.88% of the total shares issued) for new shares issued from capital increase of the wholly-owned subsidiary of the Company, Ge-Shing Cooperation. After the swap the Company and Bloomeria Limited hold 0.65% and 99.35% shareholdings in Ge-Shing Cooperation, respectively.

(8) Property, plant and equipment

2020

	<u>Land</u>	<u>Buildings and structure</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
At January 1							
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>
<u>2020</u>							
At January 1	\$ 510,012	\$ 1,089,311	\$ 5,073,009	\$ 58,041	\$ 552,219	\$ 674,434	\$ 7,957,026
Additions	-	-	3,044,419	64,082	139,283	837,121	4,084,905
Disposals	-	-	(126,261)	(14)	-	-	(126,275)
Reclassifications (Note)	-	-	659,611	-	13,396	(673,854)	(847)
Depreciation	-	(26,046)	(1,770,343)	(37,445)	(124,365)	-	(1,958,199)
At December 31	<u>\$ 510,012</u>	<u>\$ 1,063,265</u>	<u>\$ 6,880,435</u>	<u>\$ 84,664</u>	<u>\$ 580,533</u>	<u>\$ 837,701</u>	<u>\$ 9,956,610</u>
At December 31, 2020							
Cost	\$ 510,012	\$ 1,343,082	\$ 11,300,380	\$ 145,831	\$ 1,053,902	\$ 837,701	\$ 15,190,908
Accumulated depreciation and impairment	-	(279,817)	(4,419,945)	(61,167)	(473,369)	-	(5,234,298)
	<u>\$ 510,012</u>	<u>\$ 1,063,265</u>	<u>\$ 6,880,435</u>	<u>\$ 84,664</u>	<u>\$ 580,533</u>	<u>\$ 837,701</u>	<u>\$ 9,956,610</u>

	2019						
	Land	Buildings and structure	Machinery and equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	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)
At December 31	<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>

Note: For the years ended December 31, 2020 and 2019, the transfers-out from construction in progress and equipment to be inspected amounted to \$673,854 and \$469,429, respectively, of which \$847 and \$1,080 were transferred to prepaid expenses (shown as “Prepayments”).

A.

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

	Year ended December 31,	
	2020	2019
Amount capitalised	\$ 17,402	\$ 13,484
Range of the interest rates for capitalisation	1.05%~1.39%	1.27%~1.42%

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, 2020 and 2019, 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

- A. The Company leases various assets, including buildings, machinery and equipment and transportation equipment. Lease agreements are typically made for periods of 1 to 3 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 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 1,769	\$ 946
Machinery and equipment	493,765	20,137
Transportation equipment (business vehicles)	6,409	11,492
	<u>\$ 501,943</u>	<u>\$ 32,575</u>
	<u>Year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Buildings	\$ 985	\$ 805
Machinery and equipment	40,860	18,970
Transportation equipment (business vehicles)	6,291	4,894
	<u>\$ 48,136</u>	<u>\$ 24,669</u>

- C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets was \$517,504 and \$43,605, respectively.
- D. The information on profit and loss accounts relating to lease agreements is as follows:

	<u>Year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 3,980	\$ 1,348
Expense on short-term lease agreements	205,713	113,855

- E. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases were \$297,799 and \$130,006, respectively.

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Secured borrowings	\$ 37,732	0.63%~0.84%	Land and plant
Unsecured borrowings	799,694	0.69%~1.43%	None
	<u>\$ 837,426</u>		

<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

(11) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accrued salaries and bonuses	\$ 371,463	\$ 281,792
Accrued employees' compensation and directors' remuneration	248,000	178,500
Payables for equipment and construction	356,834	578,497
Others	667,300	500,765
	<u>\$ 1,643,597</u>	<u>\$ 1,539,554</u>

(12) Bonds payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bonds payable	\$ 1,200,000	\$ 2,400,000
Less: Bonds payable converted	(352,500)	(1,180,000)
Less: Discount on bonds payable	(16,699)	(37,219)
	830,801	1,182,781
Less: Current portion (shown as "Other current liabilities")	-	(19,935)
	<u>\$ 830,801</u>	<u>\$ 1,162,846</u>

A. To raise the capital for acquiring machinery and 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:

- Issue amount: Issued at 100.5% of par value of \$100. The units for this offering were 12,000, with aggregated offering amount of \$1,206,000.
- Issuance duration: Three years, from April 24, 2017 to April 24, 2020.
- Coupon rate and principal payment method: The coupon rate is 0% per annum. Except

- for converting the corporate bonds 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 of conversion, provided by the law, or due to a transfer suspension period stipulated in a contract (if any); the corporate bonds held by the bondholders shall be converted into ordinary shares of the Company from three months after the issuance (July 25, 2017) until the maturity date (April 24, 2020).
 - (e) Conversion price and its adjustment: The conversion price at the time of issuance is set at \$28.70 (in dollars) per share. However, in case of ex-rights or ex-dividends after the issuance, the closing price used to calculate the conversion price shall first be calculated as the price after ex-rights or ex-dividends. After the conversion price is determined and prior to the actual issuance date, it should be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-rights. 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 (in dollars) to \$27 (in dollars) on August 13, 2017; and the conversion price was adjusted from \$27 (in dollars) to \$25.8 (in dollars) on July 15, 2018; and the conversion price was adjusted from \$25.8 (in dollars) to \$24 (in dollars) on July 21, 2019; and the conversion price was adjusted from \$24 (in dollars) to \$23.7 (in dollars) 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 unsecured convertible bonds, the equity conversion options amounting to \$47,428 were separated from the liability component and were recognised in "Capital surplus—share options" in accordance with IAS 32.
- C. Through conversion deadline, April 9, 2020, the bonds totaling \$1,199,600 (face value) had been converted into 46,023,851 shares of common stock. The remaining unconverted bonds amounting to \$400 (face value) were redeemed in cash at face value at the maturity date according to the Article 6 of provisions of the issuance and conversion method of the 2nd domestic unsecured convertible bonds.
- D. To raise the capital for acquiring machinery and equipment, the Board of Directors of the Company resolved to issue the 3rd domestic 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 of \$100. The units for this offering were 12,000, with aggregated offering amount of \$1,206,000.
 - (b) Issuance duration: Three years, from October 15, 2019 to October 15, 2022.
 - (c) Coupon rate and principal payment method: The coupon rate is 0% per annum. Except for converting the corporate bonds 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 of conversion, provided by the law, or due to a transfer suspension period stipulated in a contract (if any); the corporate bonds held by the bondholders shall be converted into ordinary shares of the Company from three months after the issuance (January 16, 2020) until the maturity date (October 15, 2022).
 - (e) Conversion price and its adjustment: The conversion price at the time of issuance is set at \$37 (in dollars) per share. However, in case of ex-rights or ex-dividends 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. After the conversion price is determined and prior to the actual issuance date, it should be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-rights. 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 (in dollars) to \$36.6 (in dollars) on November 15, 2019; and the conversion price was adjusted from \$36.6 (in dollars) to \$34.8 (in dollars) on August 2, 2020.
 - (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 3rd unsecured convertible bonds, the equity conversion options amounting to \$43,697 were separated from the liability component and were recognised in "Capital surplus—share options" in accordance with IAS 32.
- F. As of December 31, 2020, the 3rd unsecured convertible bonds totaling \$352,500 (face value) had been converted into 10,100,988 shares of common stock.

(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, 2020</u>
Long-term bank borrowings				
Credit borrowings	Borrowing period is from May 18, 2018 to September 20, 2025; principal and interest are repayable by instalments	0.95%~1.35%	None	\$ 5,992,547
Secured borrowings	Borrowing period is from July 18, 2019 to September 26, 2024; principal and interest are repayable by instalments	1.01%~1.25%	Land, plant and machinery and equipment	<u>870,831</u>
				6,863,378
Less: Current portion (Shown as “Other current liabilities”)				(3,605,468)
				<u>\$ 3,257,910</u>

<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 instalments	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 instalments	1.20%~2.85%	Land, plant and machinery and equipment	<u>847,937</u>
				5,123,637
Less: Current portion (Shown as “Other current liabilities”)				(2,896,622)
				<u>\$ 2,227,015</u>

Secured borrowings

According to the signed loan agreements contracts, the following financial ratios and terms should be maintained before the full settlement of the debts:

- A. Current ratio: the net current assets divided by the net current liabilities in the consolidated financial statements shall not be less than 120%.
- B. Debt ratio: the total net liabilities plus contingent liabilities divided by net tangible assets shall not be more than 100%.
- C. Net tangible assets shall not be less than \$11 billion.
- D. Times interest earned: the net profit before tax plus interest expense, depreciation expense and amortisation expense divided by interest expense of consolidated financial statements shall be more than three.
- E. The purpose of bank borrowings shall be acquisition of equipment and working capital.

Credit borrowings

According to the signed loan agreements, the following financial ratios and terms should be maintained before the full settlement of the debts:

- A. Current ratio: the net current assets divided by the net current liabilities in the consolidated financial statements shall not be less than 100%.
- B. Debt ratio: the total net liabilities plus contingent liabilities divided by net tangible assets shall not be more than 80%.
- C. Times interest earned: the net profit before tax plus interest expense, depreciation expense and amortisation expense divided by interest expense in the consolidated financial statements shall not be less than fifteen.
- D. Net tangible assets shall not be less than \$10 billion.

The abovementioned ratios were calculated based on the annual or quarterly consolidated financial statements audited or reviewed by the independent auditors. The 2020 and 2019 consolidated financial statements met the requirements of the abovementioned ratios.

(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 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 contributes

monthly an amount equal to 2% of the employees' monthly salaries and wages to the pension fund deposited with Bank of Taiwan, the trustee, under the name of the independent pension fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	(\$ 273,326)	(\$ 250,611)
Fair value of plan assets	<u>95,727</u>	<u>94,057</u>
Net defined benefit liabilities	<u>(\$ 177,599)</u>	<u>(\$ 156,554)</u>

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

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	(\$ 250,611)	\$ 94,057	(\$ 156,554)
Current service cost	(1,464)	-	(1,464)
Interest (expense) income	(3,258)	1,250	(2,008)
	<u>(255,333)</u>	<u>95,307</u>	<u>(160,026)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,495	2,495
Change in financial assumptions	(12,666)	-	(12,666)
Experience adjustments	(11,598)	-	(11,598)
	<u>(24,264)</u>	<u>2,495</u>	<u>(21,769)</u>
Pension fund contribution	-	4,196	4,196
Paid pension	6,271	(6,271)	-
At December 31	<u><u>(\$ 273,326)</u></u>	<u><u>\$ 95,727</u></u>	<u><u>(\$ 177,599)</u></u>

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
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>

- (d) The Bank of Taiwan was commissioned to manage the fund of the Company's defined benefit pension plan in accordance with the fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Discount rate	<u>0.80%</u>	<u>1.30%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Assumptions regarding future mortality rate 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, 2020				
Effect on present value of defined benefit obligations	(\$ <u>6,458</u>)	<u>\$ 6,724</u>	<u>\$ 27,662</u>	(<u>\$ 24,103</u>)
December 31, 2019				
Effect on present value of defined benefit obligations	(\$ <u>6,367</u>)	<u>\$ 6,640</u>	<u>\$ 27,540</u>	(<u>\$ 23,811</u>)

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

The method of analysing sensitivity and the method of assumptions did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2021 amount to \$4,196.

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 plan of the Company for the years ended December 31, 2020 and 2019 were \$52,977 and \$45,946, respectively.

(15) Share capital

A. As of December 31, 2020, the Company’s authorised capital was \$7,000,000, consisting of 700,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$4,316,114 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:

	2020	2019
At January 1	420,683,401	389,955,784
Conversion of corporate bonds	10,927,981	13,727,617
Issuance of share capital	-	17,000,000
At December 31	431,611,382	420,683,401

B. On August 7, 2019, the Board of Directors resolved to increase capital by issuing 17,000 thousand ordinary shares amounting to \$170,000 with par value of \$10 (in dollars) per share with the effective date of November 15, 2019. The above capital increase in cash has completed its registration procedures.

(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 capitalised 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.

	2020			
	Share premium	Consolidation premium	Share option	Total
At January 1	\$ 635,056	\$ 244,129	\$ 44,487	\$ 923,672
Conversion of corporate bonds	269,065	-	(13,611)	255,454
Cash distribution from capital surplus	(463,680)	-	-	(463,680)
At December 31	<u>\$ 440,441</u>	<u>\$ 244,129</u>	<u>\$ 30,876</u>	<u>\$ 715,446</u>

	2019			
	Share premium	Consolidation premium	Share option	Total
At January 1	\$ 553,255	\$ 244,129	\$ 13,889	\$ 811,273
Issuance of corporate bonds	-	-	43,697	43,697
Conversion of corporate bonds	204,877	-	(13,099)	191,778
Issuance of share capital	280,500	-	-	280,500
Cash distribution from capital surplus	(403,576)	-	-	(403,576)
At December 31	<u>\$ 635,056</u>	<u>\$ 244,129</u>	<u>\$ 44,487</u>	<u>\$ 923,672</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 paid-in capital. The remainder, if any, to be retained or to be appropriated shall be resolved by the Board of Directors and reported to the shareholders' 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. Dividends are given priority in the form of cash dividends in terms of distributable earnings and is also distributed via stock dividends. The ratio for cash dividends shall not be less than 10% of total dividends to be distributed. The Company can propose an earnings distribution or a deficits offsetting proposal after every half of the fiscal year in accordance with the 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 interests is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriations of 2019 and 2018 earnings had been resolved at shareholders' meeting on June 10, 2020 and June 13, 2019, respectively. Details are as below:

	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 132,661		\$ 115,531	
(Reversal of) special reserve	(48,273)		3,486	
Cash dividends	463,680	\$ 1.10	403,576	\$ 1.03
Total	\$ 548,068		\$ 522,593	

- E. On June 10, 2020 and June 13, 2019, the shareholders' meeting resolved the distribution of capital surplus amounting to \$463,680 in cash (\$1.10 (in dollars) per share) and \$403,576 in cash (\$1.03 (in dollars) per share), respectively.
- F. On March 10, 2021, the Board of Directors resolved the appropriation for 2020 earnings through distribution of cash dividends amounting to \$880,165 in cash (\$2.0 (in dollars) per share).
- G. On March 10, 2021, the Board of Directors proposed the distribution of cash from capital surplus – share premium amounting to \$396,074 in cash (\$0.9 (in dollars) per share) in proportionate to shareholders' shareholding interests. The above resolution had not been

resolved by the shareholders' meeting.

H. Information of appropriation resolved by shareholder's meeting and the Board of Directors will be posted in the "Market Observation Post System".

(18) Other equity interest

	2020		
	Unrealised gains (losses) on valuation of financial assets at fair value through other comprehensive income	Financial statements translation difference of foreign operations	Total
At January 1	\$ 40,732	(\$ 6,699)	\$ 34,033
Revaluation			
– Parent company	322,407	-	322,407
– Subsidiaries	(40)	-	(40)
Currency translation differences:			
– Subsidiaries	-	(72,255)	(72,255)
At December 31	<u>\$ 363,099</u>	<u>(\$ 78,954)</u>	<u>\$ 284,145</u>
	2019		
	Unrealised gains (losses) on valuation of financial assets at fair value through other comprehensive income	Financial statements translation difference of foreign operations	Total
At January 1	(\$ 92,355)	\$ 44,081	(\$ 48,274)
Revaluation			
– Parent company	174,138	-	174,138
– Subsidiaries	1,469	-	1,469
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>

(19) Operating revenue

	Year ended December 31,	
	2020	2019
Revenue from contracts with customers	<u>\$ 8,404,291</u>	<u>\$ 6,130,926</u>

A. Disaggregation of the Company's services revenue from contracts with customers.

	<u>Assembly and testing service revenue</u>	
	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Revenue from contracts with customers	<u>\$ 8,404,291</u>	<u>\$ 6,130,926</u>
Timing of revenue recognition		
Over time	<u>\$ 8,404,291</u>	<u>\$ 6,130,926</u>

B. Contract assets and liabilities

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract assets:			
Contract assets			
– Assembly and testing	<u>\$ 89,343</u>	<u>\$ 100,274</u>	<u>\$ 80,721</u>
Contract liabilities:			
Contract liabilities			
– Assembly and testing	<u>\$ 7,575</u>	<u>\$ 1,188</u>	<u>\$ 776</u>

C. Revenue recognised that was included in the contract liabilities balance at the beginning of the year

	Year ended December 31,	
	2020	2019
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Revenue from external customer contracts	\$ 191	\$ 126

(20) Interest income

	Year ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 11,365	\$ 21,311
Interest income from financial assets measured at amortised cost	4,691	5,260
	\$ 16,056	\$ 26,571

(21) Other income

	Year ended December 31,	
	2020	2019
Dividend income	\$ 12,495	\$ 9,119
Government grants	24,700	-
Other income, others	29,105	31,258
	\$ 66,300	\$ 40,377

(22) Other gains and losses

	Year ended December 31,	
	2020	2019
Gains on disposals of property, plant and equipment	\$ 23,833	\$ 45,336
Net currency exchange losses	(131,014)	(56,175)
Gains on financial assets at fair value through profit or loss	46,228	8,020
Other losses	-	(3,950)
	(\$ 60,953)	(\$ 6,769)

(23) Finance costs

	Year ended December 31,	
	2020	2019
Interese expense:		
Bank borrowings	\$ 78,406	\$ 64,955
Bonds payable	13,154	6,673
Leased liabilities	3,980	1,348
Less: Capitalisation of assets	(17,402)	(13,484)
	<u>\$ 78,138</u>	<u>\$ 59,492</u>

(24) Expenses by nature

	Year ended December 31,	
	2020	2019
Employee benefit expenses	\$ 2,009,563	\$ 1,628,507
Depreciation expenses on property, plant and equipment and right-of-use assets	<u>\$ 2,006,335</u>	<u>\$ 1,593,980</u>
Amortisation expenses on intangible assets	<u>\$ 16,027</u>	<u>\$ 15,918</u>

(25) Employee benefit expenses

	Year ended December 31,	
	2020	2019
Wages and salaries	\$ 1,735,349	\$ 1,388,089
Labor and health insurance fees	137,973	121,254
Pension costs	56,449	49,540
Other personnel expenses	79,792	69,624
	<u>\$ 2,009,563</u>	<u>\$ 1,628,507</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' remuneration. The ratio shall range between 8%~12% for employees' compensation and shall not be higher than 3% for directors' remuneration.

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$218,000 and \$153,500, respectively; while directors' remuneration was accrued at \$30,000 and \$25,000, respectively. The aforementioned amounts were recognised in wages and salaries.

The employees' compensation and directors' remuneration were estimated and accrued based on 9.35% and 1.29%, respectively, of distributable profit of 2020.

C. Employees' compensation and directors' remuneration of 2019 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2019 financial statements.

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

(26) Income tax

A. Income tax expense

Components of income tax expense:

	Year ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 405,261	\$ 256,465
Tax on unappropriated retained earnings	-	37,405
Prior year income tax overestimation	(79,077)	(848)
Total current tax	<u>326,184</u>	<u>293,022</u>
Deferred tax:		
Origination and reversal of temporary differences	(26,766)	(11,423)
Total deferred tax	(26,766)	(11,423)
Income tax expense	<u>\$ 299,418</u>	<u>\$ 281,599</u>

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ 416,543	\$ 315,224
Tax exempt income by tax regulation	(43,331)	(72,202)
Tax on unappropriated retained earnings	-	37,405
Prior year income tax overestimation	(79,077)	(848)
Changes in reassessment of realisation of deferred tax assets	5,283	2,020
Income tax expense	<u>\$ 299,418</u>	<u>\$ 281,599</u>

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

	2019		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
– Deferred tax assets:			
Unrealised inventory valuation loss	\$ 1,066	\$ 43	\$ 1,109
Unrealised 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>19,401</u>
– Deferred tax liability:			
Bargain purchase gain	(37,146)	-	(37,146)
	<u>(37,146)</u>	<u>-</u>	<u>(37,146)</u>
	<u>(\$ 29,168)</u>	<u>\$ 11,423</u>	<u>(\$ 17,745)</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary differences	<u>\$ 285,500</u>	<u>\$ 259,085</u>

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

(27) Earnings per share

	Year ended December 31, 2020		
	Amount after income 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	\$ 1,783,299	422,912	\$ 4.22
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	1,783,299	422,912	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	5,358	
Convertible bonds	10,523	35,286	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 1,793,822	463,556	\$ 3.87
	Year ended December 31, 2019		
	Amount after income 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	\$ 1,294,520	396,649	\$ 3.26
<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	5,338	10,245	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 1,299,858	411,845	\$ 3.16

(28) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Year ended December 31,	
	2020	2019
Acquisition of property, plant and equipment	\$ 4,084,905	\$ 3,067,233
Add: Opening balance of payable on equipment	578,497	136,890
Less: Ending balance of payable on equipment (including related parties)	(362,156)	(578,497)
Cash paid during the year	<u>\$ 4,301,246</u>	<u>\$ 2,625,626</u>

B. Financing activities with no cash flow effects

	Year ended December 31,	
	2020	2019
Convertible bonds being converted to capital stocks	<u>\$ 364,734</u>	<u>\$ 329,054</u>

(29) Changes in liabilities from financing activities

	2020					
	Short-term borrowings	Long-term borrowings (include current portion)	Bonds payable (include current portion)	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ 571,242	\$ 5,123,637	\$ 1,182,781	\$ 33,965	\$ 8,159	\$ 6,919,784
Changes in cash flow from financing activities	266,184	1,739,741	(400)	(88,106)	(1,398)	1,916,021
Interest paid	-	-	-	(3,980)	-	(3,980)
Changes in other non-cash items:						
Interest expense	-	-	-	3,980	-	3,980
Option exercised	-	-	(364,734)	-	-	(364,734)
Discount on bonds payable	-	-	13,154	-	-	13,154
Increase in lease liabilities	-	-	-	517,504	-	517,504
At December 31	<u>\$ 837,426</u>	<u>\$ 6,863,378</u>	<u>\$ 830,801</u>	<u>\$ 463,363</u>	<u>\$ 6,761</u>	<u>\$ 9,001,729</u>

2019

	Short-term borrowings	Long-term borrowings (include current portion)	Bonds payable (include current portion)	Lease liabilities	Guarantee 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
Option exercised	-	-	(329,054)	-	-	(329,054)
Discount on bonds payable	-	-	6,673	-	-	6,673
Increase in lease liabilities	-	-	-	43,605	-	43,605
Others	-	-	(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>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Bloomeria Limited	The subsidiary
Winstek Semiconductor Co., Ltd.	The subsidiary
Winstek Semiconductor Technology Co., Ltd.	The subsidiary
TEST-SERV Inc.	The subsidiary
Sigurd International Co., Ltd.	The subsidiary
Burgurd Co., Ltd.	The subsidiary
Ge-Shing Cooperation	The subsidiary
Sigurd Microelectronics (Cayman) Co., Ltd.	The subsidiary
Flusol Co., Ltd.	The subsidiary
SIRIZE Technology (Suzhou) Corp.	The subsidiary
Sigurd Micro Electronics (Wuxi) Co., Ltd.	The subsidiary
AMBERSAN medical technology Co., Ltd.	The subsidiary
FLATEK, INC.	The subsidiary
OPS Electronic Limited.	The subsidiary
OPS Electronic (ShenZhen) Limited	The subsidiary
TPFUSION INC.	The subsidiary
TPfusion Corp.	The subsidiary
Valuenet International Limited	The subsidiary
Ene Technology Inc.	The Company is the Director of Ene Technology Inc.

(2) Significant related party transactions and balances

A. Operating revenue:

	Year ended December 31,	
	2020	2019
Operating revenue		
Subsidiaries	\$ 84,004	\$ 1,052
Others		
Ene Technology Inc.	36,345	30,523
	<u>\$ 120,349</u>	<u>\$ 31,575</u>

Operating revenue is based on the price lists in force and terms that would be available to third parties.

B. Receivables from related parties:

	December 31, 2020	December 31, 2019
Accounts receivable		
Subsidiaries	\$ 60,449	\$ 812
Others	3,811	5,624
	<u>64,260</u>	<u>6,436</u>
Other receivables — lending of machinery and equipment for testing		
Subsidiaries	3,918	-
Other receivables — purchase on behalf of related parties		
Subsidiaries	16	-
Other receivables — sale of property, plant and equipment		
Subsidiaries	102,836	1,019
Others receivables — other		
Subsidiaries	427	-
	<u>107,197</u>	<u>1,019</u>
	<u>\$ 171,457</u>	<u>\$ 7,455</u>

The receivables from related parties arise mainly from sale transactions and sale 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.

C. Payables to related parties:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
Other payables — borrowing of machinery and equipment for testing:		
Subsidiaries	\$ 1,662	\$ 117
Other payables — acquisition of property, plant and equipment:		
Subsidiaries	5,322	9,261
Other payables — research expense:		
Subsidiaries	18,000	-
	<u>\$ 24,984</u>	<u>\$ 9,378</u>

The payable to related parties arise mainly from borrowing of machinery and equipment for testing and acquisition of property, plant and equipment. The payables are due 2 months after the date of transaction. The receivables are unsecured in nature and bear no interest.

D. Property transactions:

(a) Acquisition of property, plant and equipment:

	<u>Year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Subsidiaries	<u>\$ 42,993</u>	<u>\$ 66,365</u>

(b) Disposal of property, plant and equipment

	<u>Year ended December 31,</u>		<u>Year ended December 31,</u>	
	<u>2020</u>		<u>2019</u>	
	<u>Proceeds</u>	<u>Gain on disposal</u>	<u>Proceeds</u>	<u>Gain on disposal</u>
Subsidiaries	<u>\$ 113,458</u>	<u>\$ 4,238</u>	<u>\$ 10,801</u>	<u>\$ 10,801</u>

E. Endorsements and guarantees provided to related parties:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	<u>\$ 762,230</u>	<u>\$ 854,530</u>

F. Other transactions

	Items	Year ended December 31,	
		2020	2019
Subsidiaries	Other income	\$ 4,268	\$ 2,207
Subsidiaries	Dividends income	\$ 100,250	\$ 120,300
Subsidiaries	Lease expenses	\$ 11,071	\$ 1,574
Subsidiaries	Research and development expense – research expense	\$ 31,000	\$ 2,000
Subsidiaries	Payment in advance	\$ 2,000	\$ 10,100

(3) Key management compensation

	Year ended December 31,	
	2020	2019
Salaries and Short-term employee benefits	\$ 98,690	\$ 80,505
Post-employment benefits	1,153	1,112
Total	\$ 99,843	\$ 81,617

8. PLEDGED ASSETS

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

Pledged assets	Book value		Purpose
	December 31, 2020	December 31, 2019	
Property, plant and equipment	\$ 1,405,798	\$ 1,313,483	Short-term and long-term borrowings
Pledged time deposit (Note)	26,910	-	Guarantee for government grants
	\$ 1,432,708	\$ 1,313,483	

Note: Shown as “Non-current financial assets at amortised cost-non-current”.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	December 31, 2020	December 31, 2019
Property, plant and equipment	\$ 1,734,322	\$ 980,423

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- A. Please refer to Note 6(17) for the appropriation for 2020 earnings.
- B. On January 25, 2021, the Board of Directors of the Company resolved to obtain all issued shares of UTC Holdings Corporation from UTAC Taiwan Holdings for a cash consideration of US\$165 million (approximately NT\$4.62 billion) and indirectly acquired all shares of UTAC Taiwan Corporation held by UTC Holdings Corporation.
- C. On March 10, 2021, the Board of Directors of the Company resolved to issue the Company's 2021 1st secured corporate bonds with upper limit of \$3 billion (face value), which has yet to be approved by the FSC.

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 borrowings (including current and non-current borrowings as reported in the parent company only balance sheet) minus cash and cash equivalents. The calculation of total capital is the equity reported in the parent company only balance sheet plus the net debt.

The Company's strategy for 2020 remained the same as that of 2019, which was committed to maintain the debt-to-capital ratio at around 40%. As of December 31, 2020 and 2019, the Company's debt ratio was both less than 40%.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 837,426	\$ 571,242
Notes payable	2	800
Accounts payable	141,609	121,878
Other payables (including related parties)	1,668,581	1,548,932
Corporate bonds payable (including current portion)	830,801	1,182,781
Long-term borrowings (including current portion)	6,863,378	5,123,637
Guarantee deposits received	6,761	8,159
	<u>\$ 10,348,558</u>	<u>\$ 8,557,429</u>
Lease liabilities	<u>\$ 463,363</u>	<u>\$ 33,965</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 overall risk management policies are carried out to focus on unforeseen events in markets and to minimise any adverse effects on the financial position and financial performance of the Company.
- (b) Risk management is carried out by the Company treasury 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 using various currencies, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management of the Company has set up policies to require Company treasury to

		Year ended December 31, 2020		
		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%	\$ 36,273	\$ -
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	(\$ 9,182)	\$ -
		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)	\$ -

Price risk

- i. The Company's investments in equity securities, which are exposed to price risk, consist of 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, 2020 and 2019 would have increased/decreased by \$3,513 and \$1,670, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss; other comprehensive

income would have increased/decreased by \$8,681 and \$4,957, respectively, as a result of the above change on financial assets 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 floating rates, which expose the Company to cash flow interest rate risk. During 2020 and 2019, the Company's borrowings at floating rate were mainly denominated in New Taiwan dollars and US dollars.
- ii. The Company's borrowings are measured at amortised 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 amortised 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 perspective. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the credit policy, 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 credit limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts the assumptions under IFRS 9, and 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 treated low.

- v. The Company categorised 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 into bankruptcy or other financial reorganisation due to financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
 - (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 forecastability of historical and current information to assess the default possibility of accounts receivable and contract assets. As of December 31, 2020 and 2019, 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	Over 180 days	Total
<u>At December 31, 2020</u>						
Expected loss rate	0.001%	0.001%	30%	50%	50%~100%	
Total book value	\$ 2,418,681	\$ 20,767	\$ 653	\$ -	\$ -	\$ 2,440,101
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 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

- viii. The Company writes off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. The Company has no financial assets subject to write off on December 31, 2020 and 2019. Additionally, in 2020, the Company wrote-off the prior year financial assets amounting to \$3,552, which cannot be reasonably expected to be recovered.
- ix. Movement in relation to the Company applying the simplified approach to provide loss allowance for notes and accounts receivable was as follows:

	<u>2020</u>	
	<u>Notes and accounts receivable</u>	
At January 1	\$	3,552
Writes off	(3,552)
At December 31	<u>\$</u>	<u>-</u>
	<u>2019</u>	
	<u>Notes and accounts receivable</u>	
At January 1/ December 31	<u>\$</u>	<u>3,552</u>

- x. The Company used the forecastability of external research report to adjust historical and current information for a specific period to assess the default possibility of other receivables. As of December 31, 2020 and 2019, the provision matrix is as follows:

<u>At December 31, 2020</u>	<u>Not past due</u>
Expected loss rate	0%-100%
Total book value	<u>\$ 126,494</u>
Loss allowance	<u>\$ -</u>
<u>At December 31, 2019</u>	<u>Not past due</u>
Expected loss rate	0%-100%
Total book value	<u>\$ 33,134</u>
Loss allowance	<u>\$ -</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating departments of the Company and aggregated by Company treasury. Company treasury 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 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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Floating rate:		
Expiring within one year	\$ 855,036	\$ 1,148,147
Expiring beyond one year	<u>600,000</u>	<u>1,260,000</u>
	<u>\$ 1,455,036</u>	<u>\$ 2,408,147</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, 2020	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	\$ 840,036	\$ -	\$ -	\$ -	\$ 840,036
Notes payable	2	-	-	-	2
Accounts payable	141,609	-	-	-	141,609
Other payables (including related parties)	1,668,581	-	-	-	1,668,581
Lease liabilities	226,362	220,213	13,575	7,328	467,478
Bonds payable (including current portion)	-	-	847,500	-	847,500
Long-term borrowings (including current portion)	2,713,594	943,432	1,516,050	1,795,693	6,968,769

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	\$ 572,736	\$ -	\$ -	\$ -	\$ 572,736
Notes payable	800	-	-	-	800
Accounts payable	121,878	-	-	-	121,878
Other payables (including related parties)	1,548,932	-	-	-	1,548,932
Lease liabilities	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

(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 investments in listed stocks and beneficiary certificates are 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 investments in equity investment without active market are 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 amortised 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, 2020			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable				
(including current portion)	\$ 830,801	\$ -	\$ 834,788	\$ -
	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	\$ -

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 is as follows:

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificate	\$ 351,278	\$ -	\$ -	\$ 351,278
Corporate bonds	146,138	-	-	146,138
Convertible bonds	34,693	-	-	34,693
Financial assets at fair value through other comprehensive income				
Equity securities	99,093	-	769,047	868,140
	<u>\$ 631,202</u>	<u>\$ -</u>	<u>\$ 769,047</u>	<u>\$ 1,400,249</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Bonds payable	\$ -	\$ 830,801	\$ -	\$ 830,801

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
<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
Corporate bonds	129,781	-	-	129,781
Convertible bonds	41,254	-	-	41,254
Financial assets 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>
Liabilities				
<u>Recurring fair value measurements</u>				
Bonds payable	<u>\$ -</u>	<u>\$ 1,182,781</u>	<u>\$ -</u>	<u>\$ 1,182,781</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:

	<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.

D. For the years ended December 31, 2020 and 2019, 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
	<u>Equity securities</u>	<u>Equity securities</u>
At January 1	\$ 449,601	\$ 517,000
Gains and losses recognised in other comprehensive income		
Recorded as unrealised gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	319,446	171,881
Sold in the year	-	(239,280)
At December 31	<u>\$ 769,047</u>	<u>\$ 449,601</u>

F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

G. Company treasury 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 measurement:

	<u>Fair value at December 31, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 769,047	Net asset value	Not applicable	0.90	The higher the net asset value, the higher the fair value

	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

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: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting year: None.
- J. Significant inter-company transactions during the reporting year: Please refer to table 6.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

(4) Major shareholders information

As of December 31, 2020, there is no major shareholder who held equally or more than 5% shareholding of the Company.

14. SEGMENT INFORMATION

Segment information is exempt from the parent only financial statements disclosures pursuant to the provisions provided by IFRS 8 “Operating Segments”. However, it is required for disclosed in the consolidated financial statements.

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	2019	2020	Difference	
			Amount	%
Current assets	12,975,111	13,038,629	63,518	0.49
Property, plant and equipment	10,643,730	14,629,289	3,985,559	37.45
Intangible assets	112,245	101,740	(10,505)	(9.36)
Other assets	1,021,977	2,044,253	1,022,276	100.03
Total amount of assets	24,753,063	29,813,911	5,060,848	20.45
Current liabilities	6,672,432	8,938,619	2,266,187	33.96
Non-current liabilities	4,557,747	5,929,122	1,371,375	20.09
Total amount of liabilities	11,230,179	14,867,741	3,637,562	32.39
Share capital	4,206,834	4,316,114	109,280	2.6
Capital reserve	923,672	715,446	(208,226)	(22.54)
Retained earnings	6,089,115	7,380,612	1,291,497	21.21
Other equity	34,033	284,145	250,112	734.91
Treasury stocks	0	0	0	0
Non-controlling equity	2,269,230	2,249,853	(19,377)	(0.85)
Total of equity	13,522,884	14,946,170	1,423,286	10.53
<p>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)</p> <p>(1) Increase in property, plant and equipment, total assets, current liabilities and total liabilities: Mainly due to the expansion of 5G, AI and internet related equipment, expansion of production capacity and improvement of the manufacturing process.</p> <p>(2) Increase in other assets: The adoption of IFRS 16 "Leases" resulted in the Company recognizing an increase in right-of-use assets.</p> <p>(3) Non-current liabilities: The company raised long-term loans to finance its operations.</p> <p>(4) Increase in retained earnings and total equity: The net income after tax increased on a year-over-year basis due to the increase in revenue compared to the previous year.</p> <p>(5) Increase in other equity: Mainly due to the recognition of unrealized valuation gain of Yann Yuan Investment Co., Ltd.</p> <p>2. Responding plan: none.</p>				

II. Financial performance

(I) Comparison and analysis of financial performance

Unit: NTD Thousand Dollars; %

Item \ Year	2019	2020	Amount increased (decreased)	Change (%)
Operating cost	7,007,157	8,819,196	1,812,039	25.86
Operating gross profit	3,039,462	3,609,353	569,891	18.75
Operating expenses	967,458	1,270,608	303,150	31.33
Operating incomes	2,072,004	2,338,745	266,741	12.87
Non-operating incomes and expenses	(1,000)	(60,169)	(59,169)	(5916.90)
Pre-tax net profit	2,071,004	2,278,576	207,572	10.02
Income tax expenses	507,443	351,987	(155,456)	(30.64)
Net profit of the term	1,563,561	1,926,589	363,028	23.22
Other comprehensive income (after-tax net amount) of the term	71,181	143,746	72,565	101.94
The total comprehensive	1,634,742	2,070,335	435,593	26.65

income of the term				
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)				
Increase in operating revenue, gross profit, net profit, net income and total comprehensive income: With establishments of 5G base stations and demand for 5G cellphones, mobile phone companies are racing to launch 5G cellphones, which led to strong sales of cellphones, network and power management chips from Sigurd's major customers, driving strong revenue growth for us.				

(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	2019	2020	Amount increased (decreased)	Percentage increased (decreased) (%)
Operating activities	3,515,090	4,588,977	1,073,887	30.55
Investment activities	(5,125,808)	(5,277,529)	(151,721)	2.96
Fundraising activities	1,929,824	1,716,665	(213,159)	(11.05)
Description of material changed items				
(1) Operating activities: Cash inflow from operating activities was mainly due to the increase in profit and depreciation in FY2020.				
(2) Investment activities: Cash outflow from investing activities was mainly due the acquisition of property, plant, and equipment in FY2020.				
(3) Fundraising activities: Cash inflow from financing activities was mainly due to increase of long-term loans in FY2020.				

(II) Improvement plan to the illiquidity: not applicable.

(III) Analysis of cash flow for the next year (2021)

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
5,628,675	4,157,245	5,671,668	4,114,252	—	—
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\$4,157,245,000					
(2) The cash outflow was predominantly used for operating expenses for the purchase of machinery and equipment and the acquisition of UTC Holdings Corporation and its subsidiaries company.					
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 2020, the Company purchased machines and other factory equipment with the capital in hand and bank loans, for total NT\$6,883,125,000, 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, 2020; 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.	(9,597)	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.	(277)	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
Test-Serv Co., Ltd.	142,673	Packaging testing	Stable operation with recurrent profit	Not applicable	None
Sigurd Microelectronics (Cayman) Co., Ltd.	Note	Offshore investment (Cayman)	Major reason is to recognize income/loss of Sigurd Micro Electronics (Wuxi) Co.,Ltd	Not applicable	None
Flusol Co., Ltd.	(119,232)	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
GE-XING Co., Ltd.	565	External investments	Mainly due to investment revenue	Company established in 2020 to increase more investment opportunities	None
Sigurd Micro Electronics (Wuxi) Co.,Ltd	Note	Manufacturing and sales of microelectronic products.	Main cause is the lease incomes and gains from foreign exchange	Not applicable	None
Bloomeria limited CO., LTD.	157,451	Investing Company	Dividend revenue	None	None
Winstek Technology Co.,Ltd	Note	Packaging testing	Stable operation with recurrent profit	Not applicable	None
Winstek Semiconductor Technology Co.,Ltd	Note	Packaging testing	Stable operation with recurrent profit	Not applicable	None
Ambersan Medical Technology Co., Ltd.	(3,906)	Manufacturing and sales of medical equipment.	Main cause is that the reinvestment has not yet generated profit and thus became loss.	Not applicable	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
Sigurd (Suzhou) Moletron Technology Co., Ltd.	(123,457)	R&D of semiconductor testing software, and advanced packaging and testing services	Plant and equipment are being installed for mass production	The company will keep on focusing on the niche products and obtaining orders from clients.	None
Flatek Co., Ltd.	3,424	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	Note	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.	Note	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.	Note	Service provider electronic information.	Main cause is recognizing the loss from investments to TPfusion Corp.	Not applicable	None
TPfusion Corp.	Note	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	Note	Service provider electronic information.	Stable operation with recurrent profit	Not applicable	None

Note: The investment income or loss of each subsidiary includes the investment income or loss of reinvestments that should be recognized according to the regulations. Hence, no other forms should be filled out.

(II) Investment plan for the coming year : On January 25, 2021, the board of directors approved the acquisition of all issued shares of UTC Holdings Corporation from UTAC TAIWAN HOLDINGS (Cayman Islands) for \$165 million USD (approximately NT\$4.62 billion).

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. Enhance the 5G SoC sub-6 IC testing technology for mobiles
2. Research and develop the 5G SoC mm-wave IC for mobiles

3. Research and develop the 5G millimeter wave (mmWave) antenna package AiP tests
 4. Research and develop the IC testing technology for 5G related equipment
 5. With the expanding application and growing demand for AI (Artificial Intelligence), the Company is working with various research institutions and companies in the related industry to enhance its packaging and testing technology.
 6. Research on Augmented Reality (AR) and Virtual Reality (VR) related IC packaging and testing.
 7. Develop IoT (Internet of Things) related integrated IC packaging and testing technology.
 8. Develop RF related packaging and testing technology such as Wi-Fi 6/6E, WLAN SoC ICs, NFC (Near Field Communication) and Wireless Power (wireless charging).
 9. Elevate the development of IC integration testing technology in image: 3D decoding ICs, 3D body sensing SoC ICs and 8K4K (7680×4320 resolution) audio/video decoding IC related testing technology.
 10. Explore 3nm and 5nm packaging and testing technology.
 11. Expand the integrated backend production capacity of WLCSP and enhance relevant technological capabilities.
 12. Research on GaN-related testing technology.
 13. Research on IC packaging and testing technology for automotive electronics and Internet of Vehicles.
 14. Planning smart factory and equipment 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 uninterrupted 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 2020 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: On January 25, 2021, the board of directors approved the acquisition of all issued shares of UTC Holdings Corporation from UTAC Taiwan Holdings (Cayman Islands) for an amount of US\$165 million in cash (approximately NT\$4.62 billion). UTAC Taiwan Holdings (Cayman Islands) also passed a board resolution on the same day to approve the transaction, with both parties signing a share purchase agreement.
UTC Holdings Corporation holds the total issued shares of UTAC (Taiwan) Corporation in Hsinchu Science Park. The transaction has been approved by the Investment Commission of the Ministry of Economic Affairs R.O.C.
In order to meet the market demand for 5G, networking, power management, and automotive electronics, the acquisition of UTAC (Taiwan) Corporation in Hsinchu Science Park can increase the Company's revenue, expand our market share, and relieve congestion in production on a short term perspective. In the long run, we can leverage the benefits of economy of scale by providing customers with more comprehensive packaging and testing services through a more complete line of products.
 - (VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: Not applicable.
 - (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 2020 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.

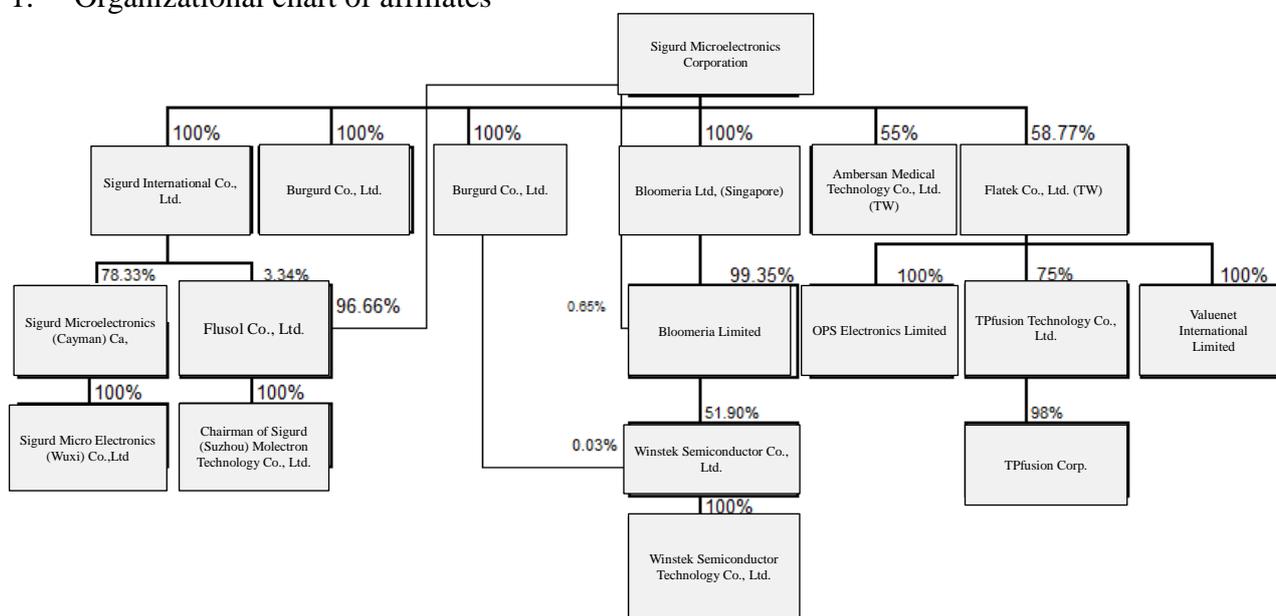
Eight: Special Mentioned Matters

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., Limited	October 18, 2010	Hong Kong	USD 686,000	International Trade Company
Flusol Co., Ltd.	October 18, 2010	Hong Kong	USD 46,554,000	Investing Company
Sigurd (Suzhou) Molectron Technology Co., Ltd.	September 6, 2019	Suzhou, China	USD \$45,000,000	R&D of semiconductor testing software, and advanced packaging and testing services
Ambersan Medical Technology Co., Ltd.	September 19, 2019	Taiwan	NTD \$ 66,000	Manufacturing and sales of medical equipment.

Name of corporation	Date of establishment	Address	Paid-up capital	Major business/production
Bloomeria Limited	September 26, 2014	Singapore	USD 741,120,000	Investing Company
GE-XING Co., Ltd.	March 12, 2020	Taiwan	NTD \$ 309,367	General investments
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.	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.	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 Directors, Sigurd Microelectronics Corporation: Min-Hung Wu (Chairman) Directors: Yu-Chi Pan, Jin-Chuan Sun, Jen-Ju Lin, Kuang-Shun Yang	80,200	100%
	Supervisors	Representative of Supervisors, Sigurd Microelectronics Corporation: Chiao-Ling Guan		
Burgurd Co., Limited	Director	Shin-Yang Huang	—	100%
Flusol Co., Limited.	Director	Min-Hung Wu	—	100%
Bloomeria Limited	Director	Min-Hung Wu; Tsan-Lien Yeh	2,202,218	100%
GE-XING Co., Ltd.	Director	Representative of Corporate Directors, Sigurd Microelectronics Corporation: Shin-Yang Huang (Chairman); Tsan-Lien Yeh; Min-Hung Wu	200	0.65%
	Supervisors	Jen-Ju Lin	—	—
	Shareholders	Bloomeria Limited	30,737	99.35%
Winstek Semiconductor Co., Ltd.	Director	Corporate directors of GE-XING Co., Ltd. Representatives: Shin-Yang Huang (Chairman); Tsan-Lien Yeh; Hsu-Tung Kuo; Chao-Hung Hsieh	70,769	51.93%
	Director	Chih-Li Weng	571	0.04%
	Independent Director	Min-Kai Lin, Ren-Yu Wei, Wen-chou Vincent Wang	—	—
Winstek Semiconductor Technology Co., Ltd.	Director	Representative of Corporate Directors, Winstek Semiconductor Co., Ltd: Shin-Yang Huang (Chairman); Min-Hung Wu; Chih-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	495	7.5%
	Director	Representative of Corporate Directors, Sigurd Microelectronics Corporation: Shih-Hsin Hsu; Shin-Yang Huang; Tung-Lin Kuan	3,630	55%
	Director	Advance Life Limited Representative: Yi-Peng Liang	1,980	30%
	Supervisors	Chi-Chang Chen	—	—
Fletek Co., Ltd.	Director	Sigurd Microelectronics Corporation Representatives: Tsan-Lien Yeh (Chairman); Hsu-Tung Kuo; Chao-Hung Hsieh	10,000	58.77%

Name of corporation	Title	Name or representatives	Number of shares held	
			Shares (in thousand shares)	Shareholding Ratio
	Director	Tsung-Yi Lin	3,843	22.59%
	Director	Shou-Kang Chen	—	—
	Supervisors	Jen-Ju Lin	—	—
Flatek Co., Ltd.	Director	Flatek Co., Ltd. Min-Hung Wu (Chairman); Tsung-Yi Lin; Jen-Ju Lin	1,125	75%
	Supervisors	Chiao-Ling Kuan	—	—
OPS Electronics Limited	Director	Tsuan-Mu, Lin-Chen	10	100%
OPS Electronics (Shenzhen) Co., Ltd.	Director	Tsuan-Mu, Lin-Chen (Legal Representative)	Note	100%
	Supervisors	Chia-Hsing Huang	—	—
TPfusion Corp.	Director	Tsung-Yi Lin (Chairman), Mihashi Yasuhiko, Ching-Cheng Tien	98	98%
Valuenet International Limited	Director	Flatek Co., Ltd. Representative: Tsung-Yi Lin (Chairman)	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 income (loss)	this period value
Sigurd International Co., Ltd.	975,135	179,756	0	179,756	0	(81)	(9,365)
SIGURD MICROELECTRONICS (CAYMAN) CO., LTD.	14,662	167,823	13,195	154,628	0	(111)	(5,789)
Sigurd Micro Electronics (Wuxi) Co.,Ltd	911,278	148,265	1,685	146,580	0	(2,102)	(5,420)
Test-Serv Co., Ltd.	802,000	1,584,275	320,802	1,263,473	1,024,508	177,923	145,363
Flusol Co., Ltd.	1,406,506	1,240,253	169	1,235,922	0	(224)	(120,109)
Burgurd Co., Limited	20,191	2,477	43,188	(40,711)	0	(1,583)	(277)
Sigurd (Suzhou) Moletron Technology Co., Ltd.	1,359,700	3,228,023	1,995,821	1,232,202	245,464	(145,879)	(119,571)
Ambersan Medical Technology Co., Ltd.	66,000	61,138	2,890	58,248	0	(7,104)	(7,101)
GE-XING Co., Ltd.	309,367	2,442,917	60	2,442,857	0	(2,659)	(110,683)
Bloomeria Limited Co., Ltd., Singapore	2,242,871	2,586,366	185	2,586,181	0	(4,653)	148,696
Winstek Semiconductor Co., Ltd.	1,362,617	4,957,262	220,880	4,736,382	749,533	28,490	209,398
Winstek Semiconductor Technology Co., Ltd.	3,100,000	5,949,372	835,995	3,113,377	2,045,688	199,782	180,100
Flatek Co., Ltd.	170,160	430,243	281,027	149,216	109,971	(21,103)	2,402

Name of corporation	Amount of paid-up capital	Total amount of Total amount:	Total amount of debt Total amount:	Net value	Operating revenue	Operating income (loss)	this period value
OPS Electronics Limited	40	128,834	97,221	31,613	111,996	28,170	24,836
OPS Electronics (Shenzhen) Co., Ltd.	25,019	115,296	22,123	93,173	98,012	14,277	10,952
TPfusion Technology Co., Ltd.	15,000	42,633	136,626	(93,993)	63,841	8,962	12,214
TPfusion Corp.	6,684	42,085	127,792	(85,707)	63,841	9,133	12,642
Valuenet International Limited	1,575	57,567	6,442	51,125	2,315	2,301	(586)

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 (28.48); RMB (6.5067)

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 (29.55); RMB (6.9010)

(II) Consolidated financial statements of affiliates: For Year 2020 (from January 1, 2020 to December 31, 2020), 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 104-193.

(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