

**CHIPBOND TECHNOLOGY CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2019 AND 2018**

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

CHIPBOND TECHNOLOGY CORPORATION

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2019, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Chipbond Technology Corporation

Representative: Wu, Fei-Jain

February 27, 2020

REPORT OF INDEPENDENT ACCOUNTANTS

PWCR19000188

To the Board of Directors and Shareholders of Chipbond Technology Co., Ltd.

Opinion

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

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

Basis for opinion

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



Key audit matters

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

The key audit matters in relation to the consolidated financial statements for the year ended December 31, 2019 are outlined as follows:

Intangible assets-valuation of goodwill impairment

Description

Refer to Note 4(18) for accounting policies on goodwill, and Note 5 for the accounting estimates and assumptions applied on goodwill.

As of December 31, 2019, goodwill amounted to NT\$5,037,278 thousand. For information on evaluation of goodwill impairment, refer to Note 6(9), Impairment of non-financial assets.

The Group estimates recoverable amount utilizing the future cash flows of goodwill's cash generating unit and appropriate discount rates in order to determine whether goodwill is impaired. The estimation of future cash flows involves various assumptions, which may have significant effects on the estimation of recoverable amount. Thus, we considered assessment of goodwill impairment a key audit matter.

How our audit addressed the matter

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

Interviewed management to obtain an understanding of the process of estimating future cash flows, evaluated key assumptions adopted in estimating future cash flows, including assessing the rationality of estimated growth rates of operating revenue, costs of sales, gross margins and operating expenses through comparing those with historical outcomes and assessed the reasonableness of estimated future cash flows within the next four years through reviewing the actual results of operational plans executed by management and most recent annual budget approved by the Board of Directors. In addition, evaluated the parameters utilized in calculating the discount rates, including weighted average cost of capital at risk-free rates, industrial risk premium, return on assets and the proportion of equity capital in similar market.

Operating revenue

Description

Refer to Note 4(30) for accounting policies on recognition of operating revenue, and Note 6(20) for details of operating revenue. Operating revenue is a basic operating activity for sustainable business development, and relevant to enterprise performance as well as material to the financial statements. Thus, we considered operating revenue a key audit matter.

How our audit addressed the matter

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

Evaluated and validated the effectiveness of design and implementation of internal controls over recognition of operating revenue. Sampled and tested transaction details, including validating the performance obligation in the contract with customers, respective transaction terms and prices, evidence supporting the provision of services, to ensure the occurrence and accuracy of those transactions.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of Chipbond Technology Corporation as at and for the years ended December 31, 2019 and 2018.

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

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

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



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

Auditor's responsibilities for the audit of the financial statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease



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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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



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Tsai-yen, Chiang

Chiang, Tsai-Yen

For and on behalf of PricewaterhouseCoopers, Taiwan

February 27, 2020

LI, TIEN-YI

Li, Tien-Yi

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

CHIPBOND TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 7,138,004	18	\$ 6,058,390	15
1170	Notes and accounts receivable, net	6(3) and 7	4,073,714	10	5,663,871	14
1200	Other receivables	7	48,773	-	55,092	-
130X	Inventories, net	6(4)	1,077,597	3	750,340	2
1410	Prepayments		50,989	-	76,584	-
1460	Non-current assets classified as held for sale, net	6(6)(10)	570,027	1	531,134	2
1470	Other current assets		7,230	-	1,443	-
11XX	Total current assets		<u>12,966,334</u>	<u>32</u>	<u>13,136,854</u>	<u>33</u>
Non-current assets						
1550	Investments accounted for under equity method	6(5)	4,658,551	12	4,722,963	12
1600	Property, plant and equipment, net	6(6) and 8	16,697,117	41	16,187,525	41
1755	Right-of-use assets	6(7)	520,668	1	-	-
1780	Intangible assets	6(8)(9)	5,037,738	13	5,055,352	13
1840	Deferred income tax assets	6(25)	294,585	1	182,383	-
1900	Other non-current assets	8	43,829	-	324,024	1
15XX	Total non-current assets		<u>27,252,488</u>	<u>68</u>	<u>26,472,247</u>	<u>67</u>
1XXX	Total assets		<u>\$ 40,218,822</u>	<u>100</u>	<u>\$ 39,609,101</u>	<u>100</u>

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CHIPBOND TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 1,200,000	3	\$ 1,576,435	4
2170	Accounts payable	7	752,088	2	815,046	2
2200	Other payables	6(12)	3,086,108	8	4,965,930	12
2230	Current income tax liabilities		618,954	1	711,428	2
2300	Other current liabilities	6(13), 7 and 8	525,864	1	219,584	1
21XX	Total current liabilities		<u>6,183,014</u>	<u>15</u>	<u>8,288,423</u>	<u>21</u>
Non-current liabilities						
2540	Long-term borrowings	6(13) and 8	2,975,000	8	2,650,000	7
2570	Deferred tax liabilities	6(25)	800,315	2	679,711	2
2580	Non-current lease liabilities		483,076	1	-	-
2600	Other non-current liabilities	6(14)	85,756	-	118,297	-
25XX	Total non-current liabilities		<u>4,344,147</u>	<u>11</u>	<u>3,448,008</u>	<u>9</u>
2XXX	Total liabilities		<u>10,527,161</u>	<u>26</u>	<u>11,736,431</u>	<u>30</u>
Equity attributable to owners of parent						
Share capital						
		6(16)				
3110	Ordinary shares		6,542,620	16	6,542,620	16
Capital surplus						
		6(17)				
3200	Capital surplus		7,201,037	18	7,198,159	18
Retained earnings						
		6(18)				
3310	Legal reserve		2,693,222	7	2,241,772	6
3320	Special reserve		-	-	230,724	1
3350	Unappropriated retained earnings		13,322,235	33	11,698,485	29
Other equity						
		6(19)				
3400	Other equity interest		(67,453)	-	(39,090)	-
31XX	Total equity attributable to owners of the parent		<u>29,691,661</u>	<u>74</u>	<u>27,872,670</u>	<u>70</u>
3XXX	Total equity		<u>29,691,661</u>	<u>74</u>	<u>27,872,670</u>	<u>70</u>
Significant events after the balance sheet date						
		11				
3X2X	Total liabilities and equity		<u>\$ 40,218,822</u>	<u>100</u>	<u>\$ 39,609,101</u>	<u>100</u>

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

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

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(20) and 7	\$ 20,419,492	100	\$ 18,725,270	100
5000	Operating costs	6(4)(23)(24)	(13,639,949)	(67)	(13,360,180)	(71)
5900	Gross profit		<u>6,779,543</u>	<u>33</u>	<u>5,365,090</u>	<u>29</u>
	Operating expenses	6(23)(24)				
6100	Selling expenses		(152,077)	(1)	(156,069)	(1)
6200	General and administrative expenses		(725,528)	(3)	(868,985)	(5)
6300	Research and development expenses		(493,573)	(2)	(440,467)	(2)
6000	Total operating expenses		<u>(1,371,178)</u>	<u>(6)</u>	<u>(1,465,521)</u>	<u>(8)</u>
6900	Operating profit		<u>5,408,365</u>	<u>27</u>	<u>3,899,569</u>	<u>21</u>
	Non-operating income and expenses					
7010	Other income	6(21)	44,530	-	32,767	-
7020	Other gains and losses	6(22)	(181,447)	(1)	(182,602)	(1)
7050	Finance costs		(66,422)	-	(63,630)	-
7060	Share of profit (loss) of associates and joint ventures accounted for under equity method	6(5)	<u>47,496</u>	<u>-</u>	<u>(120,231)</u>	<u>(1)</u>
7000	Total non-operating income and expenses		<u>(155,843)</u>	<u>(1)</u>	<u>(333,696)</u>	<u>(2)</u>
7900	Profit before income tax		5,252,522	26	3,565,873	19
7950	Income tax expense	6(25)	(1,163,000)	(6)	(878,915)	(5)
8000	Profit for the year from continuing operations		<u>4,089,522</u>	<u>20</u>	<u>2,686,958</u>	<u>14</u>
8100	Profit from discontinued operations	6(10)	<u>-</u>	<u>-</u>	<u>1,854,825</u>	<u>10</u>
8200	Profit for the year		<u>\$ 4,089,522</u>	<u>20</u>	<u>\$ 4,541,783</u>	<u>24</u>

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

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
Other comprehensive income, net						
Items that will not be reclassified to profit or loss						
8311	Remeasurements of defined benefit plans	6(14)	\$ 10,715	-	(\$ 17,699)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	34,156	-	-	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		44,871	-	(17,699)	-
Items that may be reclassified subsequently to profit or loss:						
8361	Cumulative translation differences of foreign operations	6(19)	17,800	-	262,165	2
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		(111,908)	-	3,613	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(25)	11,926	-	-	-
8360	Other comprehensive (loss) income that will be reclassified to profit or loss		(82,182)	-	265,778	2
8300	Total other comprehensive (loss) income, net of tax		(\$ 37,311)	-	\$ 248,079	2
8500	Total comprehensive income for the year		\$ 4,052,211	20	\$ 4,789,862	26
Profit attributable to:						
8610	Owners of the parent		\$ 4,089,522	20	\$ 4,514,503	24
8620	Non-controlling interest		\$ -	-	\$ 27,280	-
Comprehensive income attributable to:						
8710	Owners of the parent		\$ 4,052,211	20	\$ 4,762,007	26
8720	Non-controlling interest		\$ -	-	\$ 27,855	-
Basic earnings per share						
9710	Continuing operations of owners of parent	6(26)	\$	6.28	\$	4.12
9720	Discontinued operations of owners of parent			-		2.83
9750	Basic earnings per share		\$	6.28	\$	6.95
Diluted earnings per share						
9810	Continuing operations of owners of parent	6(26)	\$	6.17	\$	4.04
9820	Discontinued operations of owners of parent			-		2.77
9850	Diluted earnings per share		\$	6.17	\$	6.81

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

CHIPBOND TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Notes	Equity attributable to owners of the parent										
	Retained earnings					Other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Equity related to non-current assets classified as held for sale	Other equity - others	Total	Non-controlling interest	Total equity
Year ended December 31, 2018											
Balance at January 1, 2018	\$ 6,542,620	\$ 6,738,634	\$ 2,016,378	\$ 142,693	\$ 9,464,712	(\$ 230,724)	\$ -	(\$ 185,156)	\$ 24,489,157	\$ 852,694	\$ 25,341,851
Profit for the year	-	-	-	-	4,514,503	-	-	-	4,514,503	27,280	4,541,783
Other comprehensive income (loss) for the year	-	-	-	-	(17,699)	265,203	-	-	247,504	575	248,079
Total comprehensive income	-	-	-	-	4,496,804	265,203	-	-	4,762,007	27,855	4,789,862
Distribution of retained earnings of 2017:											
Legal reserve	-	-	225,394	-	(225,394)	-	-	-	-	-	-
Special reserve	-	-	-	88,031	(88,031)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,537,516)	-	-	-	(1,537,516)	-	(1,537,516)
Compensation cost of employee restricted shares	-	-	-	-	-	-	-	111,587	111,587	-	111,587
Changes in associates accounted for using equity method	-	457,327	-	-	-	-	-	-	457,327	-	457,327
Cash dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(317,919)	(317,919)
Reclassification of discontinued operations	-	-	-	-	-	250,105	(250,105)	-	-	-	-
Effect on shareholders' equity from disposal of subsidiary	-	-	-	-	-	(250,105)	250,105	-	-	-	-
Others	-	2,198	-	-	-	-	-	-	2,198	-	2,198
Decrease in non-controlling interest	-	-	-	-	(412,090)	-	-	-	(412,090)	(562,630)	(974,720)
Balance at December 31, 2018	<u>\$ 6,542,620</u>	<u>\$ 7,198,159</u>	<u>\$ 2,241,772</u>	<u>\$ 230,724</u>	<u>\$ 11,698,485</u>	<u>\$ 34,479</u>	<u>\$ -</u>	<u>(\$ 73,569)</u>	<u>\$ 27,872,670</u>	<u>\$ -</u>	<u>\$ 27,872,670</u>
Year ended December 31, 2019											
Balance at January 1, 2019	\$ 6,542,620	\$ 7,198,159	\$ 2,241,772	\$ 230,724	\$ 11,698,485	\$ 34,479	\$ -	(\$ 73,569)	\$ 27,872,670	\$ -	\$ 27,872,670
Profit for the year	-	-	-	-	4,089,522	-	-	-	4,089,522	-	4,089,522
Other comprehensive income (loss) for the year	-	-	-	-	44,871	(82,182)	-	-	(37,311)	-	(37,311)
Total comprehensive income	-	-	-	-	4,134,393	(82,182)	-	-	4,052,211	-	4,052,211
Distribution of retained earnings of 2018:											
Legal reserve	-	-	451,450	-	(451,450)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(230,724)	230,724	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,289,917)	-	-	-	(2,289,917)	-	(2,289,917)
Compensation cost of employee restricted shares	-	-	-	-	-	-	-	53,819	53,819	-	53,819
Others	-	2,878	-	-	-	-	-	-	2,878	-	2,878
Balance at December 31, 2019	<u>\$ 6,542,620</u>	<u>\$ 7,201,037</u>	<u>\$ 2,693,222</u>	<u>\$ -</u>	<u>\$ 13,322,235</u>	<u>(\$ 47,703)</u>	<u>\$ -</u>	<u>(\$ 19,750)</u>	<u>\$ 29,691,661</u>	<u>\$ -</u>	<u>\$ 29,691,661</u>

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

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

	Notes	Years ended December 31	
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from continuing operations before tax		\$ 5,252,522	\$ 3,565,873
Profit from discontinued operations before tax		-	1,873,512
Profit before tax		5,252,522	5,439,385
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(6)(7)(23)	3,061,385	2,510,410
Amortisation of land use right		-	2,508
Amortisation of intangible assets	6(8)(23)	36,700	43,788
Net gain on financial assets at fair value through profit or loss		-	(4,442)
Pension expense	6(14)	-	37,034
Compensation cost of share-based payments	6(15)(24)	53,819	111,587
Impairment loss on intangible assets	6(8)(9)(22)	-	500,000
Interest income	6(21)	(44,327)	(37,183)
Interest expense		66,422	68,019
Gain on disposals of investments	6(2)(22)	(3,887)	(6,351)
Profit from discontinued operations	6(10)	-	(1,741,712)
Share of (profit) loss of associates accounted for using equity method	6(5)	(47,496)	120,231
Loss (gain) on disposal of property, plant and equipment	6(22)	4,079	(52,199)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets held for trading		1,296	407,063
Notes receivable and accounts receivable		1,590,157	(1,542,723)
Other receivables		6,023	(6,010)
Inventories		(327,257)	(70,996)
Prepayments		25,595	(27,443)
Other current assets		(5,787)	(1,184)
Other non-current assets		-	924
Changes in operating liabilities			
Financial liabilities held for trading		2,591	5,535
Accounts payable		(62,958)	202,720
Other payables		(4,142)	850,579
Other current liabilities		174,925	2,877
Other non-current liabilities		(21,825)	(20,283)
Cash inflow generated from operations		9,757,835	6,792,134
Interest received		44,627	35,401
Interest paid		(66,214)	(69,434)
Income taxes paid		(1,200,990)	(632,011)
Net cash flows from operating activities		8,535,258	6,126,090

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

	Notes	Years ended December 31	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments accounted for using equity method	6(5)	\$ -	(\$ 1,078,397)
Acquisition of property, plant and equipment	6(28)	(5,231,794)	(6,509,653)
Proceeds from disposal of property, plant and equipment		34,459	110,548
Acquisition of intangible assets	6(8)	(19,086)	(28,186)
Increase in other receivables		-	(512,975)
Decrease in other receivables		-	971,989
Decrease in restricted assets	8	6,500	146,889
Increase in refundable deposits		(1,337)	(12,762)
Proceeds from disposal of subsidiaries		-	3,133,152
Cash and cash equivalents from non-current assets classified as held for sale		-	(991,498)
Net cash flows used in investing activities		(5,211,258)	(4,770,893)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(29)	(365,915)	26,845
Increase in long-term borrowings	6(29)	2,900,000	3,600,000
Repayments of long-term borrowings	6(29)	(2,475,000)	(3,150,000)
Payment of lease liabilities	6(7)(29)	(30,999)	-
Cash dividends paid to non-controlling interest		-	(317,919)
Cash dividends paid	6(18)	(2,289,917)	(1,537,516)
Net cash flows used in financing activities		(2,261,831)	(1,378,590)
Net effect of changes in foreign currency exchange rates		17,445	12,848
Net increase (decrease) in cash and cash equivalents		1,079,614	(10,545)
Cash and cash equivalents at beginning of year	6(1)	6,058,390	6,068,935
Cash and cash equivalents at end of year	6(1)	\$ 7,138,004	\$ 6,058,390

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

CHIPBOND TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANISATION

Chipbond Technology Corporation (the “Company”) was incorporated in the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the research, development, manufacturing and sale of metal bump, gold bump, solder bump, flip chip, tape automated bonding, tape carrier package and others.

The Company has merged with Aptos (Taiwan) Corporation, WSE Corp., International Semiconductor Ltd. and SIMPAL Electronics Corporation Limited on September 1, 2005, September 1, 2006, April 1, 2010 and August 1, 2014, respectively. The Company has retained its name as Chipbond Technology Corporation after the mergers.

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

These consolidated financial statements were reported to the Board of Directors on February 27, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

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

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

IFRS 16, 'Leases'

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either operating leases or finance leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information referred herein as the modified retrospective approach, when applying IFRSs effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by \$555,073, increased lease liability by \$545,429 and decrease other non-current assets by \$9,644 on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- i. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - ii. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - iii. The use of hindsight in determining the lease term which the Group assessing to exercise an extension option or not to exercise a termination option.
- D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.14%.
- E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 112,051
Add: Lease payable recognised under finance lease by applying IAS 17 as at December 31, 2018	526,987
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	639,038
Incremental borrowing interest rate at the date of initial application	1.14%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 545,429</u>

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

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

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

The above standards and interpretations have no significant impact to the Group’s financial condition 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021
Amendments to IAS 1, ‘Classification of liabilities as current or noncurrent’	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership %		Note
			December 31, 2019	December 31, 2018	
Chipbond Technology Corporation	International Semiconductor Technology Holding Company Limited ("IST")	Investment holdings	35.56	100	Note 1
Chipbond Technology Corporation	Chipmore Holding Company Limited ("CMHC")	Investment holdings	100	100	Note 2
IST	International Semiconductor Technology Corporation Limited	Investment, development, manufacturing and sale of electronic components	100	100	
CMHC	Chipmore Holding Company Limited (H.K.)	Investment holdings	100	100	Note 2
CMHC	IST	Investment holdings	64.44	-	Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership %		Note
			December 31, 2019	December 31, 2018	
Chipmore Holding Company Limited (H.K.)	Hefei ESWIN Technology Co., Ltd.	Development, manufacturing, packaging, testing, sale and after-sale services of integrated circuit and special materials for semiconductor (investment holding in Chipmore Technology (SuZhou) Co., Ltd.)	-	-	Notes 2 and 3
Hefei ESWIN Technology Co., Ltd.	Chipmore Technology (SuZhou) Co., Ltd.	Development, manufacturing, packaging, testing, sale and after-sale services of integrated circuit and special materials for semiconductor	-	-	Notes 2 and 3
Chipmore Technology (SuZhou) Co., Ltd.	Chipmore International Trading Company Limited (H.K.) (“CMTC”)	General import and export trading	-	-	Notes 2 and 3

Note 1: On October 14, 2019, the Board of Directors of the Company resolved to increase capital in IST through the overseas subsidiary, CMHC, by using the Company’s equity fund amounting to USD 29 million. The payment for this investment was remitted in December 2019. The comprehensive shareholding ratio of the Group to IST was 100%.

Note 2: In the first half of 2018, Hefei ESWIN Technology Co., Ltd. was established to be the holding company of Chipmore Technology (SuZhou) Co., Ltd. The Group lost control over Hefei ESWIN Technology Co., Ltd. due to change in ownership from restructuring and the subsequent sale of the shares of the entity in mid-July of 2018, and now accounts for Hefei ESWIN Technology Co., Ltd. using the equity method.

Note 3: On December 14, 2017, the Board of Directors resolved to authorise the subsidiary, Chipmore Holding Company Limited, to indirectly dispose 43.0767% equity of Chipmore Technology (SuZhou) Co., Ltd. to strategic investors. In March 2018, the assets and liabilities related to Chipmore Technology (SuZhou) Co., Ltd. were reclassified as disposal group held for sale given that the sale was considered highly probable and presented as discontinued operations as it met the definition of discontinued operations. Please refer to Note 6(10) for details.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated 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) Exchange differences arising from the translation of the balance of non-monetary assets and liabilities denominated in foreign currencies are a part of fair value gains and losses. 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 other 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, associates and joint arrangements 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 exchangerate at the date of that balance sheet;
 - 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.
- (b) Foreign exchange gains and losses resulting from net investments in foreign operations, long-term loans for investments and other monetary instruments designated as investment hedges are recognised in other comprehensive income.
- (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.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (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.

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

(8) Accounts and notes receivable

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

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

(11) 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.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted-average method. Net realisable value is the estimated selling price, less the estimated cost at completion and a reasonable estimate of the costs associated with the eventual sale.

(13) Non-current assets held for sale

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

(14) Investments accounted for using equity method – associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made

payments on behalf of the associate.

- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(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 the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.
- 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 (including accessory equipment)	3 ~ 50 years
Machinery and equipment	5 ~ 7 years
Other equipment	3 ~ 5 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 the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. 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) Variable lease payments that depend on an index or a rate.

The 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 amount of the initial measurement of lease liability.

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) Operating leases (lessee)

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

(18) Intangible assets

A. Computer software

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

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method and the recoverable amounts are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(19) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised. Please refer to Note 4(18) for the information of goodwill impairment.

(20) 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.

(21) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Financial liabilities at fair value through profit or loss

- A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.
- B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(23) Derecognition of financial liabilities

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

(24) Non-hedging and embedded derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(25) Employee benefits

A. Salaries and other short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the Company has no legal or constructive obligation to make additional contributions after a fixed amount is contributed to a public or privately managed and independent pension fund. 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. Defined benefit plans are different from defined contribution plans. The amount of pension benefits for employees at retirement is often dependent upon one or more factors, such as age, length of service and salary amount. 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 corporate bonds, the Company 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) Executive pension contribution plan

Apart from the pension plan, the Group sets out a pension contribution plan for executives. Under the executive pension contribution plan, liabilities are recognised when the Company has a present obligation as a result of past rendered services and the amount of obligation can be reliably estimated.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expenses and liabilities, 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.

(26) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks issued by the Company:

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

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

- (c) For restricted stocks where employees do not need to pay to acquire those stocks, if employees resign during the vesting period, the Company will redeem without consideration and retire those stocks.

(27) 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 income tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(28) 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.

(29) Dividends

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

(30) Revenue recognition

Service revenue

The Group provides semi-conductors packaging and testing services. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue from a fixed-price contract is measured by the percentage of the actual services performed as of the balance sheet date to the total services to be performed.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

(32) Reorganisation

The reorganisation of entities under joint control was accounted for using the carrying value method.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors.

Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and estimating the recoverable amounts of related cash-generating units. Please refer to Note 6(9) for the information on goodwill impairment.

As of December 31, 2019, the Group recognised goodwill amounting to \$5,037,278. For the year ended

December 31, 2019, no impairment loss was recognised for the goodwill.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 422	\$ 347
Demand deposits	6,325,487	6,046,855
Time deposits	812,095	11,188
	<u>\$ 7,138,004</u>	<u>\$ 6,058,390</u>

The Group has no cash and cash equivalents pledged to others.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unlisted stocks	\$ 49,799	\$ 63,044
Valuation adjustment	(49,799)	(63,044)
	<u>\$ -</u>	<u>\$ -</u>

A. The Group recognised net gain of \$3,887 and \$6,351 for the years ended December 31, 2019 and 2018, respectively.

B. The non-hedging derivative instruments transaction and contract information: None.

The Group entered into forward foreign exchange contracts and options to sell or buy USD to hedge exchange rate risk of operating activities. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. Aegis Semiconductor Technology Inc., which was invested in by the Company, has been liquidated on October 25, 2019.

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

(3) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes and accounts receivable	\$ 4,077,739	\$ 5,667,896
Less: Allowance for bad debts	(4,025)	(4,025)
	<u>\$ 4,073,714</u>	<u>\$ 5,663,871</u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not past due	\$ 4,073,714	\$ 5,663,871
Over 270 days	4,025	4,025
	<u>\$ 4,077,739</u>	<u>\$ 5,667,896</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, notes and accounts receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to \$4,523,992.

C. The Group does not hold any notes and accounts receivable as collateral.

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

(4) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 926,963	(\$ 25,879)	\$ 901,084
Supplies	199,511	(22,998)	176,513
	<u>\$ 1,126,474</u>	<u>(\$ 48,877)</u>	<u>\$ 1,077,597</u>
	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 583,448	(\$ 25,879)	\$ 557,569
Supplies	215,769	(22,998)	192,771
	<u>\$ 799,217</u>	<u>(\$ 48,877)</u>	<u>\$ 750,340</u>

The Group did not recognise loss on decline in market value for inventory obsolescence and decline in net realisable value for the years ended December 31, 2019 and 2018, respectively.

(5) Investments accounted for under equity method

	2019	2018
At January 1	\$ 4,722,963	\$ -
Addition of investments accounted for using equity method	-	4,317,548
Share of profit or loss of investments accounted for using equity method	47,496	(120,231)
Changes in capital surplus (Note 6(17))	-	457,327
Changes in other equity items (Note 6(19))	(111,908)	68,319
At December 31	<u>\$ 4,658,551</u>	<u>\$ 4,722,963</u>
	December 31, 2019	December 31, 2018
Associates:		
Hefei ESWIN Technology Co., Ltd.	\$ 3,652,600	\$ 3,661,510
Hefei ESWIN Materials Technology Co., Ltd.	1,005,951	1,061,453
	<u>\$ 4,658,551</u>	<u>\$ 4,722,963</u>

A. On December 14, 2017, the Board of Directors resolved to have the subsidiary, Chipmore Holding Company Limited, dispose its 43.0767% ownership stake in Chipmore Technology (SuZhou) Co., Ltd. and transfer such shares to a strategic investor. After restructuring, the transfer of the shares of Hefei ESWIN Technology Co., Ltd. was completed in mid-July of 2018. Since the Group has significant influence over Hefei ESWIN Technology Co., Ltd. after the transfer, it was reclassified

from a consolidated subsidiary to ‘investments accounted for under equity method’. Please refer to Note 6(10) for more information.

- B. After the disposal of equity interests in 2018, the Group did not purchase the newly issued shares of Hefei ESWIN Technology Co., Ltd. in proportion to its ownership, and as a result, its ownership percentage decreased to 31.85%.
- C. On December 14, 2017, the Company’s Board of Directors during its meeting resolved to indirectly invest in Mainland China through the investee which is located in the third area, by joint establishment of a tape company with strategic investors. In accordance with the investment plan, the payment for investment in Hefei ESWIN Materials Technology Co., Ltd. has been remitted by Chipmore Holding Company Limited during the third quarter of 2018.

D. Associates

(a) The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2019	December 31, 2018		
Hefei ESWIN Technology Co., Ltd.	Hefei, China	31.85%	31.85%	Associate	Equity method
Hefei ESWIN Materials Technology Co., Ltd.	Hefei, China	30%	30%	Associate	Equity method

(b) The summarised financial information of the associates of the Group is as follows:

	December 31, 2019	December 31, 2018
Assets	\$ 15,460,628	\$ 13,340,556
Liabilities	\$ 5,905,072	\$ 4,153,311
	Year ended December 31, 2019	Year ended December 31, 2018
Revenue (Note)	\$ 2,964,481	\$ 1,432,738
Profit for the period (Note)	\$ 187,998	(\$ 117,658)
Total comprehensive income for the period (Note)	\$ 189,345	(\$ 114,899)

Note: Information disclosed for Hefei ESWIN Technology Co. Ltd. only covers the period it was reclassified as investments accounted for under equity method.

(6) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Others</u>	<u>Construction in progress and equipment under installation</u>	<u>Total</u>
<u>Year ended December 31, 2019</u>						
Cost						
Opening net book amount	\$ 886,890	\$ 6,604,300	\$ 29,082,481	\$ 977,474	\$ 3,981,336	\$ 41,532,481
Additions	-	190	38,702	65,983	3,519,311	3,624,186
Disposals or retirements	-	(565,131)	(3,413,823)	(193,965)	(22,142)	(4,195,061)
Reclassification	-	70,144	5,684,838	-	(5,754,982)	-
Effect of exchange rate changes	-	(22,659)	(668)	(705)	-	(24,032)
Less: Transferred to non-current assets classified as held for sale	-	(190)	(38,702)	(1,274)	-	(40,166)
Closing net book amount	<u>\$ 886,890</u>	<u>\$ 6,086,654</u>	<u>\$ 31,352,828</u>	<u>\$ 847,513</u>	<u>\$ 1,723,523</u>	<u>\$ 40,897,408</u>
Accumulated depreciation and impairment						
Opening net book amount	\$ -	\$ 3,500,905	\$ 21,028,189	\$ 815,862	\$ -	\$ 25,344,956
Additions	-	261,418	2,693,449	72,470	-	3,027,337
Disposals or retirements	-	(565,131)	(3,397,686)	(193,706)	-	(4,156,523)
Effect of exchange rate changes	-	(12,876)	(640)	(689)	-	(14,205)
Less: Transferred to non-current assets classified as held for sale	-	-	-	(1,274)	-	(1,274)
Closing net book amount	<u>\$ -</u>	<u>\$ 3,184,316</u>	<u>\$ 20,323,312</u>	<u>\$ 692,663</u>	<u>\$ -</u>	<u>\$ 24,200,291</u>
Net ending balance	<u>\$ 886,890</u>	<u>\$ 2,902,338</u>	<u>\$ 11,029,516</u>	<u>\$ 154,850</u>	<u>\$ 1,723,523</u>	<u>\$ 16,697,117</u>

	Land	Buildings and structures	Machinery and equipment	Others	Construction in progress and equipment under installation	Total
<u>Year ended December 31, 2018</u>						
Cost						
Opening net book amount	\$ 886,890	\$ 7,276,967	\$ 30,857,416	\$ 1,291,652	\$ 2,847,535	\$ 43,160,460
Additions	-	31,478	231,231	114,690	7,232,554	7,609,953
Disposals or retirements	-	(4,020)	(968,369)	(19,135)	-	(991,524)
Reclassification	-	407,814	4,481,101	(990)	(4,887,925)	-
Effect of exchange rate changes	-	20	44,119	3,648	8,017	55,804
Less: Transferred to non-current assets classified as held for sale	-	(88,611)	(955,968)	(1,339)	-	(1,045,918)
Less: Disposal of non-current assets classified as held for sale	-	(1,019,348)	(4,607,049)	(411,052)	(1,218,845)	(7,256,294)
Closing net book amount	<u>\$ 886,890</u>	<u>\$ 6,604,300</u>	<u>\$ 29,082,481</u>	<u>\$ 977,474</u>	<u>\$ 3,981,336</u>	<u>\$ 41,532,481</u>
Accumulated depreciation and impairment						
Opening net book amount	\$ -	\$ 3,566,693	\$ 23,671,838	\$ 1,082,276	\$ -	\$ 28,320,807
Additions	-	281,828	2,152,661	75,921	-	2,510,410
Disposals or retirements	-	(3,949)	(910,278)	(18,898)	-	(933,125)
Reclassification	-	-	976	(976)	-	-
Effect of exchange rate changes	-	(2,586)	34,067	3,021	-	34,502
Less: Transferred to non-current assets classified as held for sale	-	(26,929)	(486,516)	(1,339)	-	(514,784)
Less: Disposal of non-current assets classified as held for sale	-	(314,152)	(3,434,559)	(324,143)	-	(4,072,854)
Closing net book amount	<u>\$ -</u>	<u>\$ 3,500,905</u>	<u>\$ 21,028,189</u>	<u>\$ 815,862</u>	<u>\$ -</u>	<u>\$ 25,344,956</u>
Net ending balance	<u>\$ 886,890</u>	<u>\$ 3,103,395</u>	<u>\$ 8,054,292</u>	<u>\$ 161,612</u>	<u>\$ 3,981,336</u>	<u>\$ 16,187,525</u>

Information on the non-current assets classified as held for sale is provided in Note 6(10).

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

(7) Leasing arrangements — lessee

Effective 2019

A. The Group leases various assets including land, buildings and structures, and other equipment. Rental contracts are made for periods of 3 to 35 years.

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

	<u>December 31, 2019</u>	<u>Year ended December 31, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Land and buildings	\$ 506,813	\$ 26,685
Other equipment	13,855	7,363
	<u>\$ 520,668</u>	<u>\$ 34,048</u>

C. For the year ended December 31, 2019, there were no additions to right-of-use assets.

D. The information on income and expense accounts relating to lease contracts is as follows:

	<u>Year ended December 31, 2019</u>
Interest expense on lease liabilities	<u>\$ 6,056</u>

E. For the year ended December 31, 2019, the Group's total cash outflow for leases amounted to \$37,055.

F. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(8) Intangible assets

	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
<u>Year ended December 31, 2019</u>			
Cost			
Opening net book amount	\$ 157,227	\$ 5,537,278	\$ 5,694,505
Additions	19,086	-	19,086
Disposal or retirements	(7,487)	-	(7,487)
Effect of exchange rate changes	(32)	-	(32)
Closing net book amount	<u>\$ 168,794</u>	<u>\$ 5,537,278</u>	<u>\$ 5,706,072</u>
Accumulated amortisation and impairment			
Opening net book amount	\$ 139,153	\$ 500,000	\$ 639,153
Additions	36,700	-	36,700
Disposal or retirements	(7,487)	-	(7,487)
Effect of exchange rate changes	(32)	-	(32)
Closing net book amount	<u>\$ 168,334</u>	<u>\$ 500,000</u>	<u>\$ 668,334</u>
Net ending balance	<u>\$ 460</u>	<u>\$ 5,037,278</u>	<u>\$ 5,037,738</u>
	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
<u>Year ended December 31, 2018</u>			
Cost			
Opening net book amount	\$ 256,110	\$ 7,178,085	\$ 7,434,195
Additions	28,186	-	28,186
Effect of exchange rate changes	1,275	-	1,275
Less: Disposal of non-current assets classified as held for sale	(128,344)	(1,640,807)	(1,769,151)
Closing net book amount	<u>\$ 157,227</u>	<u>\$ 5,537,278</u>	<u>\$ 5,694,505</u>
Accumulated amortisation and impairment			
Opening net book amount	\$ 175,517	\$ -	\$ 175,517
Additions	43,788	-	43,788
Impairment loss	-	500,000	500,000
Effect of exchange rate changes	737	-	737
Less: Disposal of non-current assets classified as held for sale	(80,889)	-	(80,889)
Closing net book amount	<u>\$ 139,153</u>	<u>\$ 500,000</u>	<u>\$ 639,153</u>
Net ending balance	<u>\$ 18,074</u>	<u>\$ 5,037,278</u>	<u>\$ 5,055,352</u>

A. Information about the impairment of intangible assets is provided in Note 6(9).

B. Information on the non-current assets classified as held for sale is provided in Note 6(10).

(9) Impairment of non-financial assets

Impairment testing of goodwill is performed at balance sheet date, and recoverable amount is determined based on value-in-use. On December 31, 2019 and 2018, discount rate was 10.55% and 9.58%, respectively. These calculations use cash flow projections based on the Group's financial budgets covering a five-year period. Key assumptions, including revenue growth rate, gross rate and operating expense ratio, are evaluated based on industry's future trends and internal and external historical data.

In accordance with the comparison result between the recoverable amount calculated based on the above key assumption and the carrying amount of the identifiable assets of the cash-generating units and the total amount of goodwill, the Company's non-financial assets were not impaired for the year ended December 31, 2019. For the year ended December 31, 2018, the Company recognised impairment loss amounting to \$500,000.

(10) Non-current assets held for sale and discontinued operations

A. Disposal of equity interests

(a) On December 14, 2017, the Board of Directors resolved to authorise the subsidiary, Chipmore Holding Company Limited, to indirectly dispose 43.0767% equity of Chipmore Technology (SuZhou) Co., Ltd. to strategic investors. In March 2018, the assets and liabilities related to Chipmore Technology (SuZhou) Co., Ltd. were reclassified as disposal group held for sale given that the sale was considered highly probable and presented as discontinued operations as it met the definition of discontinued operations. The transfer of shares was completed in mid-July 2018. Since the Group has significant influence over Hefei ESWIN Technology Co., Ltd. after the transfer, it is reclassified from a consolidated subsidiary to 'investments accounted for under equity method'. Please refer to Note 6(5).

(b) The cash flow information of the discontinued operations is as follows:

	Year ended December 31, 2018
Operating cash flows	\$ 1,032,411
Investing cash flows	(824,666)
Financing cash flows	(888,365)
Total cash flows	(\$ 680,620)

(c) Cumulative income or expense recognised in other comprehensive income relating to disposal group classified as held for sale:

	Year ended December 31, 2018
Exchange differences on translation of foreign financial statements	\$ 253,504

(d) Analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets or disposal group is as follows:

	Year ended December 31, 2018
Operating revenue	\$ 1,154,961
Operating costs	(783,594)
Operating expenses	(230,337)
Total non-operating income and expenses	(9,230)
Profit before tax of discontinued operations	131,800
Income tax	(18,687)
Profit after tax of discontinued operations	113,113
Gain on disposal of discontinued operations after tax	1,741,712
Profit from discontinued operations	<u>\$ 1,854,825</u>

(e) Profit from continuing and discontinued operations attributable to owners of the parent: please refer to Note 6(26).

B. Disposal of equipment

The Group entered into an equipment sales contract with associates in the fourth quarter of 2018, and reclassified those property, plant and equipment to non-current assets classified as held for sale. After obtaining purchase commitment, the Company inspected the state of machines, and those inspected machines are shipped in batches based on seller's requirements, thus the period to complete the transaction was extend to longer than 1 year. The completion date for the transaction is expected by the second quarter of 2020. On December 31, 2019, the carrying amount of non-current assets classified as held for sale amounted to \$570,027, and partial receivable for disposal of equipment had been received in advance. No impairment loss was recognised as a result of the remeasurement of the disposal group held for sale at the lower of its carrying amount or fair value less costs to sell.

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings	<u>\$ 1,200,000</u>	0.9%~0.95%	-
<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings	<u>\$ 1,576,435</u>	0.9%~4.89%	-

(12) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Employees' compensation and directors' remuneration	\$ 657,000	\$ 662,000
Salary and bonus payable	577,240	532,984
Payable on machinery and equipment	976,672	2,849,668
Others	875,196	921,278
	<u>\$ 3,086,108</u>	<u>\$ 4,965,930</u>

(13) Long-term borrowings

Creditor banks and type of loan	Borrowing period and repayment term	Interest rate	Collateral	Balance	
				December 31, 2019	December 31, 2018
Taipei Fubon Co., Ltd. unsecured borrowing	Borrowing period is from July 2018; principal is repayable at maturity in June 2020	Floating rate	None	\$ -	\$ 550,000
Taipei Fubon Co., Ltd. unsecured borrowing	Borrowing period is from June 2019; principal is repayable at maturity in June 2021	Floating rate	None	300,000	-
Taipei Fubon Co., Ltd. unsecured borrowing	Borrowing period is 18 months from July 2019; principal is repayable halfyearly in 4 instalments from the maturity date	Floating rate	None	600,000	-
CTBC Bank Co., Ltd. unsecured borrowing	Borrowing period is from November 2019; principal is repayable at maturity in November 2021	Floating rate	None	500,000	-
CTBC Bank Co., Ltd. unsecured borrowing	Borrowing period is from November 2018; principal is repayable at maturity in November 2020	Floating rate	None	-	1,000,000
CTBC Bank Co., Ltd. unsecured borrowing	Borrowing period is from November 2019 to November 2022; principle will be used in several times and repaid in full at maturity	Floating rate	Plants	500,000	-
First Bank secured borrowing	Borrowing period is 2 year from July 2015 principal is repayable quarterly in 20 instalments from the maturity date	Floating rate	Plant and land	550,000	750,000
First Bank unsecured borrowing	Borrowing period is from August 2019; principal is repayable quarterly in 12 instalments from the maturity date	Floating rate	None	275,000	-
KGI Bank unsecured borrowing	Borrowing period is from December 2019; principal is repayable at maturity in December 2021	Floating rate	None	400,000	-
KGI Bank unsecured borrowing	Borrowing period is from December 2018; principal is repayable at maturity in December 2020	Floating rate	None	-	400,000
Sumitomo Mitsui Banking Corporation unsecured borrowings	Borrowing period is from July 2018; principal is repayable at maturity in July 2020	Floating rate	None	-	150,000
Sumitomo Mitsui Banking Corporation unsecured borrowings	Borrowing period is from July 2019; principal is repayable at maturity in July 2021	Floating rate	None	150,000	-
				3,275,000	2,850,000
Less: Current portion (shown as other current liabilities)				(300,000)	(200,000)
				\$ 2,975,000	\$ 2,650,000
Annual interest rate range				1.02%~1.13%	1.06%~1.14%

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

A. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Expiring within one year	\$ 2,974,670	\$ 3,382,606
Expiring beyond one year	4,459,260	4,736,455
	<u>\$ 7,433,930</u>	<u>\$ 8,119,061</u>

The information about the Group's liquidity risk is provided in Note 12(2)C(c).

(14) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly based on employees' monthly salaries and wages at a percentage regulated by law to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Additionally, 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 to cover the deficit by next March.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	(\$ 393,141)	(\$ 388,358)
Fair value of plan assets	<u>307,637</u>	<u>275,792</u>
Net defined benefit liability	<u>(\$ 85,504)</u>	<u>\$ 112,566)</u>

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

Year ended	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
December 31, 2019			
Balance at January 1	(\$ 388,358)	\$ 275,792	(\$ 112,566)
Current service cost	(1,317)	-	(1,317)
Interest (expense) income	(3,867)	2,862	(1,005)
	<u>(393,542)</u>	<u>278,654</u>	<u>(114,888)</u>
Remeasurements:			
Return on plan assets (excluding the amounts included in interest income or expense)	-	9,261	9,261
Change in demographic assumptions	(906)	-	(906)
Change in financial assumptions	(12,807)	-	(12,807)
Experience adjustments	9,836	-	9,836
	<u>(3,877)</u>	<u>9,261</u>	<u>5,384</u>
Pension fund contribution	-	24,000	24,000
Paid pension	4,278	(4,278)	-
Balance at December 31	<u>(\$ 393,141)</u>	<u>\$ 307,637</u>	<u>(\$ 85,504)</u>
December 31, 2018			
Balance at January 1	(\$ 361,120)	\$ 243,981	(\$ 117,139)
Current service cost	(1,348)	-	(1,348)
Interest (expense) income	(4,500)	3,185	(1,315)
Effect of plan curtailment	935	-	935
	<u>(366,033)</u>	<u>247,166</u>	<u>(118,867)</u>
Remeasurements:			
Return on plan assets (excluding the amounts included in interest income or expense)	-	6,357	6,357
Change in demographic assumptions	64	-	64
Change in financial assumptions	(17,999)	-	(17,999)
Experience adjustments	(6,121)	-	(6,121)
	<u>(24,056)</u>	<u>6,357</u>	<u>(17,699)</u>
Pension fund contribution	-	24,000	24,000
Paid pension	1,731	(1,731)	-
Balance at December 31	<u>(\$ 388,358)</u>	<u>\$ 275,792</u>	<u>(\$ 112,566)</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 securitization 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, 2019 and 2018 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, 2019	Year ended December 31, 2018
Discount rate	0.75%	1.00%
Future salary increases	2.00%	2.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increase rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ 12,860)	\$ 13,475	\$ 13,273	(\$ 12,736)
December 31, 2018				
Effect on present value of defined benefit obligation	(\$ 17,970)	\$ 18,609	\$ 18,436	(\$ 17,876)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once.

The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

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

- (f) Expected contributions to the defined benefit pension plan of the Company within one year from December 31, 2020 amounts to \$36,000.

(g) As of December 31, 2019, the weighted average duration of that retirement plan is 13 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	21,773
1-3 year(s)		10,037
Over 3 years		401,744
	<u>\$</u>	<u>433,554</u>

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. Additionally, in the fourth quarter of 2018, the Board of Directors approved the Group’s defined contribution pension plan for its executives.

(b) The Company’s mainland China subsidiary, International Semiconductor Technology Corporation Limited, has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Company’s mainland China subsidiary has no further obligations.

(c) The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2019 and 2018 were \$166,709 and \$193,691, respectively.

(15) Share-based payment

A. For the years ended December 31, 2019 and 2018, the Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
3rd Restricted stocks to employees (Note)	2017.08.14	5,000,000 shares	3 years	1 year vested: 30% 2 years vested: 30% 3 years vested: 40%

Note : The Company issued restricted employee stocks at no consideration and the stocks cannot be sold, mortgaged, transferred, granted, pledged or disposed in other methods during the vesting period, but voting right and dividend right are not restricted on these stocks. Employees are required to return the stocks but not required to return the dividends received if they resign during the vesting period.

B. Plan of the above employee restricted shares are set out below:

The 3rd employee restricted shares issued by the Company do not limit voting rights and rights for dividend distribution. The fair value of the shares was measured based on the closing price of the Company’s shares of \$47.4 (in dollars) at the grant date and the weighted-average stock price of the Company’s shares was \$48.25 (in dollars) on the measurement date.

	<u>2019</u>	<u>2018</u>
	Unit (in thousands)	Unit (in thousands)
Beginning employee restricted shares	3,500	5,000
Issued during the period	(1,500)	(1,500)
Ending employee restricted shares	<u>2,000</u>	<u>3,500</u>

C. Expenses incurred on share-based payment transactions amounted to \$53,819 and \$111,587 for the years ended December 31, 2019 and 2018, respectively.

(16) Share capital

A. As of December 31, 2019, the Company's authorised capital was \$8,000,000, consisting of 800 million shares of ordinary stock (including 20 million shares reserved for employee stock options and convertible bonds issued by the Company), and the amount issued was 654,262 thousand shares 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: in thousand shares

	<u>2019</u>	<u>2018</u>
At January 1 (at December 31)	<u>654,262</u>	<u>654,262</u>

(17) Capital surplus

Pursuant to the R.O.C. Company Law, capital reserve 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 Law requires that the amount of capital reserve to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve shall not be used to cover accumulated deficit unless the legal reserve is insufficient.

	<u>Share premium</u>	<u>Restricted stocks to employees</u>	<u>Net change in equity of associates</u>	<u>Others</u>
At January 1, 2019	\$ 6,596,447	\$ 130,900	\$ 457,327	\$ 13,485
Issuance of employee restricted shares	56,100	(56,100)	-	-
Others	-	-	-	2,878
At December 31, 2019	<u>\$ 6,652,547</u>	<u>\$ 74,800</u>	<u>\$ 457,327</u>	<u>\$ 16,363</u>

	<u>Share premium</u>	<u>Restricted stocks to employees</u>	<u>Net change in equity of associates</u>	<u>Others</u>
At January 1, 2018	\$ 6,540,347	\$ 187,000	\$ -	\$ 11,287
Issuance of employee restricted shares	56,100	(56,100)	-	-
Changes of associates accounted for using equity method	-	-	457,327	-
Others	-	-	-	2,198
At December 31, 2018	<u>\$ 6,596,447</u>	<u>\$ 130,900</u>	<u>\$ 457,327</u>	<u>\$ 13,485</u>

(18) 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 year's operating losses, then 10% of the profit after tax shall be set aside as legal reserve. After setting aside a special reserve in accordance with Securities and Exchange Act Article 41, if the earnings per shares is not less than \$1 (in dolloar), an appropriation of earnings with no less than 35% of distribution rate will be proposed by the Board of Directors and will be resolved by the shareholders.

The Company adopts conservatism principle for its dividend policy and considers its profitability, financial structure and future development. When distributing dividends, current status of the industry is considered, and based on needs for future expansion plans and for cash flow, dividends are all distributed as cash dividend or the percentage of cash dividends is not lower than 85% and stock dividends is not more than 15%. The Board of Directors may adjust the distribution rates within the above range based on current operation and capital position and propose the adjustments to shareholders for approval.

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.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriations of 2018 and 2017 earnings had been resolved at the shareholders' meeting on June 14, 2019 and June 15, 2018, respectively. Details are summarised below:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 451,450		\$ 225,394	
Special reserve	(230,724)		88,031	
Cash dividends	<u>2,289,917</u>	\$ 3.50	<u>1,537,516</u>	\$ 2.35
	<u>\$ 2,510,643</u>		<u>\$ 1,850,941</u>	

(19) Other equity items

	Cumulative translation differences of foreign operation	Unearned employee compensation	Total
At January 1, 2019	\$ 34,479	(\$ 73,569)	(\$ 39,090)
Compensation cost of employee restricted shares	-	53,819	53,819
Currency translation differences			
- Group	17,800	-	17,800
- Tax on Group	(9,733)	-	(9,733)
- Associates	(111,908)	-	(111,908)
- Tax on Associates	<u>21,659</u>	<u>-</u>	<u>21,659</u>
At December 31, 2019	<u>(\$ 47,703)</u>	<u>(\$ 19,750)</u>	<u>(\$ 67,453)</u>

	Cumulative translation differences of foreign operation	Equity related to non-current assets classified as held for sale	Unearned employee compensation	Total
At January 1, 2018	(\$ 230,724)	\$ -	(\$ 185,156)	(\$ 415,880)
Compensation cost of employee restricted shares	-	-	111,587	111,587
Currency translation differences				
- Group	261,590	-	-	261,590
- Associates	3,613	-	-	3,613
- Discontinued operations	250,105	(250,105)	-	-
Effect on shareholders' equity from disposal of subsidiary	<u>(250,105)</u>	<u>250,105</u>	<u>-</u>	<u>-</u>
At December 31, 2018	<u>\$ 34,479</u>	<u>\$ -</u>	<u>(\$ 73,569)</u>	<u>(\$ 39,090)</u>

(20) Operating revenue

	Year ended December 31, 2019	Year ended December 31, 2018
Revenue from contracts with customers	\$ 20,419,492	\$ 18,725,270

The Group's revenue arises mainly from rendering services. Details are as follows:

Year ended December 31, 2019	Taiwan	US	Others	Total
Total segment revenue				
Revenue from external customer contracts	\$ 9,657,850	\$ 5,606,728	\$ 5,154,914	\$ 20,419,492
Timing of revenue recognition				
Over time	\$ 9,657,850	\$ 5,606,728	\$ 5,154,914	\$ 20,419,492
Year ended December 31, 2018	Taiwan	US	Others	Total
Total segment revenue				
Revenue from external customer contracts	\$ 8,723,214	\$ 6,710,443	\$ 3,291,613	\$ 18,725,270
Timing of revenue recognition				
Over time	\$ 8,723,214	\$ 6,710,443	\$ 3,291,613	\$ 18,725,270

(21) Other income

	Year ended December 31, 2019	Year ended December 31, 2018
Interest income :		
Interest income from bank deposits	\$ 44,327	\$ 32,316
Rent income	203	451
	\$ 44,530	\$ 32,767

(22) Other gains and losses

	Year ended December 31, 2019	Year ended December 31, 2018
(Loss) gain on disposal of property, plant and equipment	(\$ 4,079)	\$ 52,199
Gain on disposal of investments	3,887	6,351
Net currency exchange (loss) gain	(226,380)	241,703
Impairment loss on intangible assets	-	(500,000)
Other gains and losses	45,125	17,145
	(\$ 181,447)	(\$ 182,602)

(23) Expenses by nature

	Year ended December 31, 2019	Year ended December 31, 2018
Employee benefit expense	\$ 5,509,079	\$ 5,272,969
Depreciation charges	3,061,385	2,359,114
Amortisation charges on intangible assets	36,700	37,625
	<u>\$ 8,607,164</u>	<u>\$ 7,669,708</u>

(24) Employee benefit expense

	Year ended December 31, 2019	Year ended December 31, 2018
Wages and salaries	\$ 4,650,257	\$ 4,441,264
Directors' remuneration	30,800	34,052
Pension costs	169,031	197,290
Other personnel expenses	658,991	600,363
	<u>\$ 5,509,079</u>	<u>\$ 5,272,969</u>

A. Under the Company's Articles of Incorporation, 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 not be higher than 15% and not be lower than 10% for employees' compensation and shall not be higher than 1% for directors' remuneration. The employees' compensation mentioned above can be distributed either in the form of shares or cash. Employees must be working for the Company and meet certain conditions.

B. For the years ended December 31, 2019 and 2018, employees' compensation and directors' remuneration was accrued at \$657,000 and \$662,000, respectively.

The employees' compensation and directors' remuneration for 2018 as resolved at the meeting of Board of Directors on February 27, 2019 were in agreement with those amounts recognised in the 2018 financial statements and will be distributed in the form of cash.

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

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2019	Year ended December 31, 2018
Current tax:		
Current tax on profits for the period	\$ 1,009,915	\$ 852,916
Additional tax on undistributed earnings	99,308	37,068
Prior year income tax overestimation	(707)	(17,741)
Total current tax	<u>1,108,516</u>	<u>872,243</u>
Deferred tax:		
Origination and reversal of temporary differences	54,484	(30,100)
Impact of change in tax rate	-	36,772
Total deferred tax expense	<u>54,484</u>	<u>6,672</u>
Income tax expense	<u>\$ 1,163,000</u>	<u>\$ 878,915</u>

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

	Year ended December 31, 2019	Year ended December 31, 2018
Currency translation differences	(\$ 11,926)	\$ -
Remeasurement of defined benefit obligations	(34,156)	-

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2019	Year ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 1,050,504	\$ 1,127,501
Expenses disallowed by tax regulation	13,895	100,136
Temporary differences not recognised as deferred tax assets / liabilities	-	(404,821)
Prior year income tax overestimation	(707)	(17,741)
Tax on undistributed earnings	99,308	37,068
Change in tax rate	-	36,772
Income tax expense	<u>\$ 1,163,000</u>	<u>\$ 878,915</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Unrealised sales discounts and allowances	\$ 18,689	\$ 929	\$ -	\$ 19,618
Unrealised exchange loss	28,692	50,064	-	78,756
Loss on investments accounted for using equity method	123,141	15,127	-	138,268
Loss on market value decline and obsolete and slow-moving inventory	9,775	-	-	9,775
Remeasurement of defined benefit obligations	-	-	34,156	34,156
Currency translation differences	-	-	11,926	11,926
Impairment loss	2,086	-	-	2,086
	<u>\$ 182,383</u>	<u>\$ 66,120</u>	<u>\$ 46,082</u>	<u>\$ 294,585</u>
-Deferred tax liabilities:				
Unrealised exchange gain	(\$ 24,210)	(\$ 44,738)	\$ -	(\$ 68,948)
Realised pensions	(23,153)	(4,335)	-	(27,488)
Gain on investments accounted for using equity method	(454,491)	(9,968)	-	(464,459)
Amortisation of goodwill for tax purpose	(177,857)	(20,327)	-	(198,184)
Depreciation of assets classified as held for sale	-	(41,236)	-	(41,236)
	<u>(\$ 679,711)</u>	<u>(\$ 120,604)</u>	<u>\$ -</u>	<u>(\$ 800,315)</u>

	2018				
	January 1	Recognised in profit or loss	Transferred to non-current assets classified as held for sale		December 31
Temporary differences:					
-Deferred tax assets:					
Unrealised sales discounts and allowances	\$ 36,239	(\$ 17,550)	\$ -		\$ 18,689
Unrealised exchange loss	11,708	16,984	-		28,692
Loss on investments accounted for using equity method	91,110	32,031	-		123,141
Loss on market value decline and obsolete and slow-moving inventory	8,309	1,466	-		9,775
Book-tax difference on depreciation of fixed assets	64,607	-	(64,607)		-
Impairment loss	1,890	196	-		2,086
	<u>\$ 213,863</u>	<u>\$ 33,127</u>	<u>(\$ 64,607)</u>		<u>\$ 182,383</u>
-Deferred tax liabilities:					
Unrealised exchange gain	(\$ 3,439)	(\$ 20,771)	\$ -		(\$ 24,210)
Realised pensions	(15,805)	(7,348)	-		(23,153)
Gain on investments accounted for using equity method	(490,183)	32,276	3,416		(454,491)
Amortisation of goodwill for tax purpose	(133,901)	(43,956)	-		(177,857)
	<u>(\$ 643,328)</u>	<u>(\$ 39,799)</u>	<u>\$ 3,416</u>		<u>(\$ 679,711)</u>

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

	Year ended	Year ended
	December 31, 2019	December 31, 2018
Deductible temporary differences	<u>\$ -</u>	<u>\$ 30,039</u>

E. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2018 and 2019, the amounts of temporary difference unrecognised as deferred tax liabilities were \$2,794,731 and \$2,780,822, respectively.

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

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. The Group has recognised the effect of the change in profit or loss.

(26) Earnings per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit from continuing operations attributable to ordinary shareholders of the parent	\$ 4,089,522	651,337	\$ 6.28
Profit attributable to ordinary shareholders of the parent	\$ 4,089,522		\$ 6.28
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	10,288	
Restricted stocks to employees	-	1,696	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 4,089,522	663,321	\$ 6.17

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit from continuing operations attributable to ordinary shareholders of the parent	\$ 2,676,034	649,837	\$ 4.12
Profit from discontinuing operations attributable to ordinary shareholders of the parent	<u>1,838,469</u>		<u>2.83</u>
Profit attributable to ordinary shareholders of the parent	<u>\$ 4,514,503</u>		<u>\$ 6.95</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	10,956	
Restricted stocks to employees	-	<u>2,320</u>	
Profit from continuing operations attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,676,034		\$ 4.04
Profit from discontinuing operations attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>1,838,469</u>		<u>2.77</u>
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 4,514,503</u>	<u>663,113</u>	<u>\$ 6.81</u>

(27) Transactions with non-controlling interest

Treasury shares transactions by subsidiary

In July 2018, CMHK bought back 14.46% of its outstanding shares, which resulted in the decrease of non-controlling interests in the entity. The effect of changes in interests on the equity attributable to owners of the parent for the year ended December 31, 2018 is shown below:

	Year ended December 31, 2018
Purchase of treasury shares	\$ 562,630
Repurchase price	(974,720)
Retained earnings	<u>(\$ 412,090)</u>

(28) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31, 2019	Year ended December 31, 2018
Acquisition of property, plant and equipment	\$ 3,624,186	\$ 7,609,956
Add: Opening balance of payable on machinery and equipment	2,849,668	1,491,734
Changes in prepayments for equipment (shown as other non-current assets)	(265,388)	257,631
Less: Ending balance of payable on machinery and equipment	(976,672)	(2,849,668)
Cash paid during the period	<u>\$ 5,231,794</u>	<u>\$ 6,509,653</u>

(29) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings (Including current portion)	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2019	\$ 1,576,435	\$ 2,850,000	\$ 545,429	\$ 4,971,864
Changes in cash flow	(365,915)	425,000	(37,055)	22,030
Other changes in non-cash items	-	-	6,056	6,056
Impact of changes in foreign exchange rate	(10,520)	-	-	(10,520)
At December 31, 2019	<u>\$ 1,200,000</u>	<u>\$ 3,275,000</u>	<u>\$ 514,430</u>	<u>\$ 4,989,430</u>

	Short-term borrowings	Long-term borrowings (Including current portion)	Liabilities from financing activities-gross
At January 1, 2018	\$ 2,722,007	\$ 2,400,000	\$ 5,122,007
Changes in cash flow from financing activities	26,845	450,000	476,845
Changes in disposal of reclassified non-current liabilities classified as held for sale	(1,172,417)	-	(1,172,417)
At December 31, 2018	<u>\$ 1,576,435</u>	<u>\$ 2,850,000</u>	<u>\$ 4,426,435</u>

7. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Chipmore Technology (SuZhou) Co., Ltd.	Associate (Note)
CMTC	Associate (Note)
Hefei ESWIN Materials Technology Co., Ltd.	Associate

Note: In the first half of 2018, Hefei ESWIN Technology Co., Ltd. was established to be the holding company of Chipmore Technology (SuZhou) Co., Ltd.. The Group lost control over Hefei ESWIN Technology Co., Ltd. due to change in ownership from restructuring and the subsequent sale of the shares of the entity in mid-July of 2018, and now Hefei ESWIN Technology Co., Ltd. was reclassified as investment accounted for under equity method.

(2) Significant related party transactions

A. Operating revenue:

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
Sales of goods:		
Associates	\$ 43,182	\$ 2,805

B. Receivables from related parties:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable:		
Associates	\$ 16,855	\$ 561
Other receivables — disposal of property, plant and equipment		
Associates	26,540	35,151
	<u>\$ 43,395</u>	<u>\$ 35,712</u>

There is no significant difference in the terms and conditions for transactions between the Company and related parties or non-related parties.

C. Property transactions:

(a) Acquisition of property, plant and equipment:

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
Associates	\$ -	\$ 639

(b) Disposal of property, plant and equipment:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Associates	<u>\$ 14,412</u>	<u>\$ 3,198</u>	<u>\$ 35,151</u>	<u>\$ 22,029</u>

E. Unearned receipts:

	December 31, 2019	December 31, 2018
Hefei ESWIN Materials Technology Co., Ltd.	<u>\$ 172,044</u>	<u>\$ -</u>

(3) Key management compensation

	Year ended December 31, 2019	Year ended December 31, 2018
Salaries and other short-term employee benefits	\$ 120,708	\$ 229,238
Compensation cost of share-based payment	22,712	47,090
	<u>\$ 143,420</u>	<u>\$ 276,328</u>

8. PLEGGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2019	December 31, 2018	
Time deposits (shown as other non-current assets)	\$ -	\$ 6,500	Guarantee for lease at Science Park Administration
Land	886,890	886,890	Collateral for long-term borrowings
Plant	787,840	813,236	Collateral for long-term borrowings
	<u>\$ 1,674,730</u>	<u>\$ 1,706,626</u>	

9. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

(1) Contingencies

None.

(2) Commitments

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

	December 31, 2019	December 31, 2018
Property, plant and equipment	<u>\$ 1,891,453</u>	<u>\$ 2,584,853</u>

B. Operating lease commitments

Prior to 2018

The Company leases land in Hsinchu Science Park and Kaohsiung Export Processing Zone under operating lease agreements. The lease terms are from August 2003 to December 2025. The total future lease commitments under operating leases are as follows:

	<u>December 31, 2018</u>
Less than one year	\$ 21,168
Over one year but less than five years	76,874
Over five years	14,009
	<u>\$ 112,051</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) In January 2020, the Company was authorized to build a factory on the land it owned. The construction was commissioned to others, and the total amount of the contract amounted to \$1.376 billion.

(2) On February 3, 2020, the Board of Directors of the subsidiary, CMHC, during their meeting approved to distribute cash dividends amounting to US\$30 million.

12. OTHERS

(1) Capital management

The Group's capital structure comprises net liabilities and equity. The objectives of capital management are to safeguard the Group's ability to continue as a going concern and optimise the balance of liabilities and equity in order to maximise returns for shareholders. The capital cost and related risks are monitored regularly and the Group may adjust capital structure by paying dividends to shareholders, issuing new shares, buying shares back and issuing new bonds or repaying old bonds.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 7,138,004	\$ 6,058,390
Notes receivable and accounts receivable (including related parties)	4,073,714	5,663,871
Other accounts receivable (including related parties)	48,773	55,092
Other financial assets	15,453	20,615
	<u>\$ 11,275,944</u>	<u>\$ 11,797,968</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,200,000	\$ 1,576,435
Accounts payable	752,088	815,046
Other accounts payable	3,086,108	4,965,930
Lease liabilities	514,430	-
Long-term borrowings (including current portion)	3,275,000	2,850,000
Other financial liabilities	252	400
	<u>\$ 8,827,878</u>	<u>\$ 10,207,811</u>

B. Risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.
- (b) Risk management is carried out by a finance department (Group finance) under policies approved by the Board of Directors. Group finance identifies, evaluates and hedges financial risks in close cooperation with the 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. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

				December 31, 2019			
				Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
	USD:NTD	\$	224,651	29.980	\$	6,735,037	
	JPY:NTD		495,280	0.2760		136,697	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
	USD:NTD	\$	19,275	29.980	\$	577,865	
	JPY:NTD		1,297,610	0.2760		358,140	
				December 31, 2018			
				Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
	USD:NTD	\$	297,428	30.715	\$	9,135,501	
	JPY:NTD		822,750	0.2782		228,889	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
	USD:NTD	\$	21,999	30.715	\$	675,699	
	JPY:NTD		7,243,086	0.2782		2,015,027	
	USD:RMB		9,000	6.8632		276,435	

- ii. The Group's foreign exchange risk mainly arises from cash and cash equivalents, receivables, loans, payables and others denominated in foreign currencies whereby profit or loss occur upon translation. On December 31, 2019 and 2018, if NTD depreciated/appreciated by 1% against USD, JPY, EUR and RMB with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$63,948 and \$63,972, respectively. The basis of analysis for both periods is the same.
- iii. The realised/unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to (\$226,380) and \$241,703, respectively.

Price risk

The Group's investments in equity securities comprise unlisted stock companies. The prices of equity securities would change due to the uncertainty of the future value of investee companies.

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates.
- ii. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.
- iii. Based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year and all other variables were held constant, if the interest rate had changed by 0.1%, the impact on profit before tax would have increased/decreased by \$4,475 and \$4,426 for the years ended December 31, 2019 and 2018, respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the 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 risk 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. Credit risk arises from derivative financial instruments and deposits with financial institutions, as well as credit exposures to customers, including outstanding notes receivable, accounts receivable and other receivables.
- ii. Management does not expect any significant losses from non-performance by these counterparties.
- iii. As of December 31, 2019, the outstanding notes receivable and accounts receivable of the top 5 customers is 64% of the Group's total notes receivable and accounts receivable. The concentration or credit risk from the remaining notes receivable and accounts receivable is considered insignificant.

- iv. The Group adopts the following assumptions under IFRS 9:
- (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) The default occurs when the contract payments are past due over 90 days.
- v. The Group adopted individual identification method for customers whose accounts was past due or provisioned impaired losses at full amount for customers whose accounts was past due 270 days. The Group used historical and timely information to assess expected loss rate after taking into consideration domestic and overseas economic trends, industry development and forecastability. On December 31, 2019 and 2018, the information on accounts receivable is as follows:

<u>At December 31, 2019</u>	<u>Not past due</u>	<u>Over 270 days</u>	<u>Total</u>
Expected loss rate	0.00%	100%	
Total book value	\$ 4,073,714	\$ 4,025	\$ 4,077,739
Loss allowance	-	(4,025)	(4,025)
Book value	<u>\$ 4,073,714</u>	<u>\$ -</u>	<u>\$ 4,073,714</u>
<u>At December 31, 2018</u>	<u>Not past due</u>	<u>Over 270 days</u>	<u>Total</u>
Expected loss rate	0.00%	100%	
Total book value	\$ 5,663,871	\$ 4,025	\$ 5,667,896
Loss allowance	-	(4,025)	(4,025)
Book value	<u>\$ 5,663,871</u>	<u>\$ -</u>	<u>\$ 5,663,871</u>

- vii. Movements in relation to the allowance for notes receivable and accounts receivable are as follows:

	<u>2019</u>
	<u>Accounts receivable</u>
At January 1 (As of December 31)	<u>\$ 4,025</u>
	<u>2018</u>
	<u>Accounts receivable</u>
At January 1_IAS 39	<u>\$ 4,025</u>
Adjustments under new standards	<u>-</u>
At December 31	<u>\$ 4,025</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(13)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

- ii. Surplus cash held by the operating entities over and above balance required for working capital management are invested in interest bearing current accounts, time deposits, money market deposits and marketable securities. The chosen instruments have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled 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 and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 3 years	Over 3 years
December 31, 2019			
Short-term borrowings	\$ 1,201,690	\$ -	\$ -
Accounts payable	752,088	-	-
Other payables	3,083,533	-	-
Long-term borrowings (including current portion)	335,956	3,010,849	-
Lease liabilities	37,056	65,738	489,551
December 31, 2018			
Short-term borrowings	\$ 1,590,435	\$ -	\$ -
Accounts payable	815,046	-	-
Other payables	4,963,548	-	-
Long-term borrowings (including current portion)	231,981	2,527,251	150,570

(3) Fair value information

Financial instruments not measured at fair value

Cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries and associates): 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: Please refer to table 4.

- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant intercompany transactions during the reporting period: None.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 7.

14. OPERATING SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The Chief Operating Decision-Maker allocates resources and assesses performance of the Group as a whole, and has identified that the Group has only one reportable operating segment. The accounting policies of the operating segments are in agreement with the significant accounting policies summarised in Note 4. The operating segments are measured using the profit (loss) before tax from continuing operations.

(2) Measurement of segment information

Interest income and expense are not allocated to operating segments, as this type of activity is driven by the Group's central treasury function, which manages the cash position of the group.

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

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is the financial statements prepared in accordance with the IFRS.

(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.

(5) Information on services

Revenue from external customers is mainly from packaging IC and testing processing services. Details of revenue balance are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Service revenue	\$ 20,419,492	\$ 18,725,270

(6) Geographical information

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

A. Revenue

	Year ended December 31, 2019	Year ended December 31, 2018
Taiwan	\$ 9,657,850	\$ 8,723,214
U.S.	5,606,728	6,710,443
Others	5,154,914	3,291,613
	<u>\$ 20,419,492</u>	<u>\$ 18,725,270</u>

B. Non-current assets

	Year ended December 31, 2019	Year ended December 31, 2018
Taiwan	\$ 22,027,436	\$ 21,253,283
Mainland China	256,462	293,003
	<u>\$ 22,283,898</u>	<u>\$ 21,546,286</u>

(7) Major customer information

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

	Year ended December 31, 2019		Year ended December 31, 2018	
	Revenue	Segment	Revenue	Segment
A	\$ 3,936,896	Entire group	\$ 3,231,742	Entire group
D	3,164,244	Entire group	4,224,012	Entire group
B	2,262,326	Entire group	1,841,608	Entire group
E	1,939,169	Entire group	1,895,746	Entire group

Chipbond Technology Corporation and subsidiaries
Loans to others
Year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during	Balance at	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 3)	Footnote
					the year ended December 31, 2019	December 31, 2019							Item	Value			
1	Chipmore Holding Company Limited	International Semiconductor Technology Corporation Limited	Other receivables	Yes	\$ 643,521	\$ -	\$ -	1.6%~3%	2	\$ -	Operational use	\$ -	-	\$ -	\$ 2,757,831	\$ 2,757,831	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

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

Note 2: Nature of loans to others is filled as follows:

(1) Fill in 1 for business transactions.

(2) Fill in 2 for short-term financing.

Note 3: As prescribed in the parent company's "Procedures for Lending Funds to other Parties": limit on loans to a single subsidiary is 10% of the Company's shareholders' equity and limit on total loans is 20% of the Company's shareholders' equity.

As prescribed in the subsidiaries' "Procedures for Lending Funds to other Parties", the limit on the short-term financing shall not exceed 40% of the subsidiaries' net worth.

Note 4: For the year ended December 31, 2019, the loans to others were all settled.

Chipbond Technology Corporation and subsidiaries
 Provision of endorsements and guarantees to others
 Year ended December 31, 2019

Table 2

Expressed in thousands of NTD
 (Except as otherwise indicated)

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019	Outstanding endorsement/ guarantee amount at December 31, 2019	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 1)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 2)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 2)	Provision of endorsements/ guarantees to the party in Mainland China (Note 2)	Footnote
		Company name	Relationship with the endorser/ guarantor											
0	Chipbond Technology Corporation	International Semiconductor Technology Corporation Limited	The Company's indirect wholly- owned subsidiary	\$ 2,969,166	\$ 284,400	\$ -	\$ -	\$ -	0.00%	\$ 5,938,332	Y	N	Y	

Note 1: As prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees": limit on endorsement/guarantee to a single party is 10% of the Company's shareholders' equity and limit on total endorsement/guarantee is 20% of the Company's shareholders' equity.

Note 2: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Chipbond Technology Corporation and subsidiaries

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

December 31, 2019

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2019				Footnote
				Number of shares (in thousands)	Book value	Ownership (%)	Fair value	
Chipbond Technology Corporation	Stock - Chilitag Technology Corporation	N/A	Financial assets at fair value through profit or loss	1,000	\$ -	15.97%	-	

Chipbond Technology Corporation and subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2019		Addition (Note 3)		Number of shares	Disposal (Note 3)			Balance as at December 31, 2019	
					Number of shares	Amount	Number of shares	Amount		Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
CMHC	International Semiconductor Technology Corporation Limited	Investments accounted for using equity method/associates	IST	Associates	Note 5	\$ -	Note 5	\$ 882,760	Note 5	\$ -	\$ -	\$ -	Note 5	\$ 882,760

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 5: No shares were issued because it's a limited Company.

Chipbond Technology Corporation and subsidiaries
Information on investees (Excluding information on investment in Mainland China)
Year ended December 31, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance at December 31, 2019	Balance at December 31, 2018	Number of shares (in thousands)	Ownership (%)	Book value			
Chipbond Technology Corporation	IST	Samoa	Investment Holdings	\$ 520,550	\$ 520,550	16,000	35.56	(\$ 509,079)	(\$ 75,638)	(\$ 75,638)	
Chipbond Technology Corporation	CMHC	Cayman Islands	Investment Holdings	2,942,269	2,942,269	27,146	100	6,894,577	51,248	51,248	
CMHC	Chipmore Holding Company Limited (H.K)	Hong Kong	Investment Holdings	2,060,051	2,060,051	59,877	100	3,652,600	65,866	-	
Chipmore Technology (SuZhou) Co., Ltd.	CMTC	Hong Kong	General import and export trading	35,078	35,078	1,130	100	80,550	1,576	-	
CMHC	IST	Samoa	Investment Holdings	882,760	-	29,000	64.44	882,760	-	-	

Chipbond Technology Corporation and subsidiaries

Information on investments in Mainland China

Year ended December 31, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chipmore Technology (SuZhou) Co., Ltd.	Development, manufacturing, packaging, testing, sale and after-sale services of integrated circuit and special materials for semiconductor	\$ 2,098,600	2	\$ 3,925,149	\$ -	(\$ 1,907,780)	\$ 2,017,369	\$ 239,350	31.85	\$ 65,866	\$ 3,679,627	\$ -	
International Semiconductor Technology Corporation Limited	Investment and development, manufacturing and sale of electronic components	1,349,100	2	520,550	-	-	520,550	(75,638)	100	(75,638)	373,681	-	
Hefei ESWIN Technology Co., Ltd.	Development, manufacturing, packaging, testing, sale and after-sale services of integrated circuit and special materials for semiconductor	4,088,671	2	-	-	-	-	299,285	31.85	65,866	3,652,600	-	
Hefei ESWIN Materials Technology Co., Ltd.	Materials and elements for electronics; manufacture and sale of elements	3,233,055	2	-	-	-	(111,287)	30.00	(18,370)	1,005,951	-		
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019</u>	<u>Investment amount approved by the Ministry of Economic Affairs (MOEA) (Note 3)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA</u>										
Chipbond Technology Corporation	\$ 2,537,919	\$ 5,219,277	\$ 17,814,997										

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

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

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

Chipmore Technology (SuZhou) Co., Ltd. and Hefei ESWIN Technology Co., Ltd. - through invest in CMHC and Chipmore Holding Company Limited (H.K.) in the third area. Hefei ESWIN Technology Co., Ltd. is the

International Semiconductor Technology Corporation Limited - through investing in CMHC and IST in the third area.

Hefei ESWIN Materials Technology Co., Ltd. - CMHC investment made through a third region.

(3) Others

Note 2: Amount was recognised based on the audited financial statements.

Note 3: On July 31, 2019, the Board of Directors of the Company resolved to increase capital in the associate, Hefei ESWIN Materials Technology Co., Ltd., through the Company's overseas subsidiary, CMHC, amounting to RMB 100 million. This transaction was approved by the Investment Board, and the payment associated with the investment has been remitted in January 2020. Additionally, On October 14, 2019, the Board of Directors of the Company resolved to increase capital in IST through the overseas subsidiary, CMHC's own funds amounting to USD 29 million, then increase capital in International Semiconductor Technology Corporation Limited through IST amounting to USD 29 million. The Company has remitted the payment for this investment amounting to \$882,760 in December 2019.

Chipbond Technology Corporation and subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at December 31, 2019	%	Balance at December 31, 2019	Purpose	Maximum balance during the year ended December 31, 2019	Balance at December 31, 2019	Interest rate	Interest during the year ended December 31, 2019	Others
International Semiconductor Technology Corporation Limited	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 643,521	\$ -	1.6%~3%	\$ 12,127	-