Winstek Semiconductor Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report

2019 and 2018

(stock code 3265)

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Winstek Semiconductor Co., Ltd.

Consolidated Financial Statements for Affiliated Companies

In year of 2019 (from January 1, 2019 to December 31, 2019), the related entities that are required to be included in the preparation of the consolidated financial statements of the Company, under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those defined in International Financial Reporting Standards (IFRS) No. 10 "Consolidated Financial Statements." In addition, the information which shall be disclosed in the combined financial statements of affiliated companies is included in the consolidated financial statements of the parent company. Consequently, there will be no separate preparation of combined financial statements of affiliated companies.

As hereby declared

Company Name: Winstek Semiconductor Co., Ltd.

Person in Charge: Huang Hsing-Yang

March 9, 2020

Independent Auditors' Report

(109) TWSE Review No. 19002675

Winstek Semiconductor Co., Ltd. Company seal:

Audit Opinion

The consolidated balance sheet on December 31, 2019 and December 31, 2018 consolidated composite income sheet, consolidated statement of changes in equity, combined statement of cash flows from January 1, 201 to December 31, 2019, and the notes to the consolidated financial statements (including the summary of material accounting policies) of Winstek Semiconductor Co., Ltd. and Subsidiaries (hereinafter referred to as "Winstek Group"), have been audited by CPA.

In our opinion, all the material items prepared in these consolidated financial statements are in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations and interpretation announcements recognized by the Financial Supervisory Commission (FSC). Therefore, they are able to properly express the consolidated financial status of Winstek Group as of December 31, 2019 and December 31, 2018 and consolidated financial performance and consolidated cash flows from January 1, 2018 to December 31, 2019.

Basis of Audit Opinion

We have performed the auditing work in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the ROC. Below, our CPAs will further explain the responsibilities auditors shall execute during the audit of consolidated financial statements under the above principles. The personnel of our accounting firm who are subject to independent regulations have acted in accordance with the ROC CPA Code of Professional Ethics to remain highly neutral from Winstek Group, while fulfilling other duties set forth in the said Code. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of the auditor's opinion.

Key Audit Matters

The key audit matters refer to those most material items when auditing the combined financial statements of the year 2019 of Winstek Group, based on the professional judgment of the CPA. The said matters have been expressed when we audited the consolidated financial statements and when we established the auditor's opinion. We will not express any personal opinion on any of the matters.

The key audit matters of the consolidated financial statements of the year 2019 of Winstek Group are as follows:

Audits of Real Estate, Plant, and Equipment Capitalization

Matter description

Winstek Semiconductor Co., Ltd. and Subsidiaries increase capital expenditures along with their operations. Please refer to Note 4 (XIII) of the consolidated balance sheet for accounting polices related to items of real estate, plants, and equipment and Note 6(V) for description of items related to real estate, plants, and equipment. The amount of capital expenditure of real estate, plants, and equipment in this year is significant, and therefore, the CPA listed audits of real estate, plant, and equipment capitalization as key matters.

Corresponding auditing procedures

The auditor conducted main audit procedures towards the said key audit matters including:

1. Evaluation and testing of effectiveness time points of relevant control of additional procurement and depreciation of real estate, plant, and equipment and audit relevant procurement orders and invoices to confirm proper approval of transactions and accuracy of account amounts; audit and accept relevant forms to confirm time appropriation of availability of asset utilization and property inventory and accuracy of depreciation allocated.

Other matters- Individual financial report

Winstek Semiconductor Co., Ltd. has prepared the individual financial report of the year 2018 and 2019, and the CPA has issued the unqualified audit report with other matters for future reference.

The responsibility of the management and governance units for the consolidated financial statements

The responsibility of the management was to establish financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and IFRS, IAS, interpretations and interpretation announcements recognized by the FSC, to properly indicate the company's financial status and also to maintain necessary internal control with regard to establishment of consolidated financial statements to ensure such financial statements did not contain any false contents as a result of fraudulence or mistakes.

When preparing the consolidated financial statements, the management is also responsible for the assessment of Winstek Group's ability on going concern, the disclosure of relevant matters, the adoption of the accounting base for going concern, unless the management intends to proceed with the liquidation to Winstek Group or to discontinue its operations, or has no other practical alternative solutions except for liquidation or closure.

The governing body of Winstek Group (including the Audit Committee) had the responsibility to supervise the financial reporting process.

The responsibility of CPAs when auditing Consolidated Financial Statements

Our objective when auditing the consolidated financial statements was to ascertain whether they contained any false contents as a result of fraudulence or mistakes and whether they were reasonably reliable and issue the auditor's report. Reasonably reliable means highly reliable. However, auditing work carried out in accordance with commonly accepted ROC audit guidelines cannot guarantee detection of significant false contents in parent company only financial statements. Misstatements could be caused by fraud or error. If the individual amounts or sums that false contents involved could be reasonably expected to affect the financial decision making of users of consolidated financial statements such false contents would be considered significant.

We conducted the auditing work according to audit standards generally accepted in the ROC and also exercised our profession judgment and remained professionally skeptical. We have also executed the following tasks:

1. Identifying and evaluating likely risks from significant false contents in the consolidated financial statements as a result of fraudulence of errors, designing and executing proper counter measures against the risks identified, and also establishing sufficient and appropriate audit evidence to serve as the basis of the auditor's report. As fraudulence can involve conspiracy, forgery, intentional omissions, false statements or transgressions of internal control, the risk of failing to detect significant false contents resulting from fraudulence is higher than the risk of failing to identify those coming from errors.

2. Obtaining necessary understanding of internal controls relevant to the audit, in order to design

appropriate audit procedures in the circumstances, but the purpose is not to express an opinion on the effectiveness of internal controls of Winstek Group.

3. Evaluating the appropriateness of the accounting policy adopted by the management and the reasonableness of the accounting assessment and related disclosures made accordingly.

4. Based on the audit evidence obtained, conclusions are drawn on the appropriateness of the management's continuing adoption of the going concern accounting foundation and whether there was any significant doubt (in the events or circumstances) about the capacity of Winstek Group to remain in operation or whether any significant uncertainty existed. If we thought such doubt or significant uncertainty existed, we had to point it out in the auditor's report to remind users of the consolidated financial statements to look out for related disclosures in the consolidated financial statements to revise out audit opinion if such disclosures were considered inappropriate. Our conclusion was established according to the audit evidence obtained before the deadline for the auditor's report. However, future events or circumstances may result in Winstek Group no longer being able for going concern.

5. Evaluating the overall expression, structure and contents of the consolidated financial statements (including related notes) and whether the consolidated financial statements could appropriately express related transactions and events.

6. Obtaining sufficient and appropriate audit evidence with regard to the finance of the individual entities in the group to establish our opinion about the consolidated financial statements. We were responsible for guiding, supervising, and executing the audit work for the group and also establishing the auditor's opinion.

We communicated with governance units about the planned audit range and time and important audit discoveries (including significant internal control defects found during the audit process).

We provided governance units with a statement assuring the personnel of our accounting firm who are subject to independent regulations had acted according to the ROC CPA Code of Professional Ethics to remain neutral and also communicate with them about the all relations and other matters (including related preventive measures) that could affect the independence of CPAs.

Based on the result of our discussion with the governance body, we decided the key audit matters when auditing the 2019 consolidated financial statement of Winstek Group. We have clearly described the said matters in the auditor's report except certain matters whose public disclosure is prohibited by law or certain matters we decided not to mention under some extremely rare circumstances because disclosure of such matters can be reasonably expected to lead negative effects that would be greater than public good they might benefit.

PwC Taiwan
Li Tien-I

Certified public accountant
Chiang Tsai-Yen

Financial Supervisory Commission (FSC)
Approved certificate No. 1020028992
FSC Approved Certificate No. 1060025097

March 9, 2020

Winstek Semiconductor Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

December 31, 2018 and 2019

Unit: NT$ thousand

	Assets	Notes	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 431,419	7	$ 1,275,492	22
1136	Financial assets measured at amortized cost - current	6(2)	2,469,160	39	1,458,175	25
1140	Contract assets - current	5(2) and 6(15)	20,401	-	13,161	-
1170	Net accounts receivable	6(3)	1,156,714	18	751,857	13
1180	Accounts receivable from related parties (net)	6(3) and 7	117	-	118	-
1200	Other receivables from subsidiaries		8,042	-	5,631	-
130X	Inventory	6(4)	78,900	1	74,851	2
1479	Other current assets - others		41,895	1	57,670	1
11XX	**Total current assets**		4,206,648	66	3,636,955	63
	Non-current assets					
1535	Financial assets measured at amortized cost - non-current	6(2) and 8	20,700	-	19,700	-
1600	Property, plant, and equipment	6(5) and 8	2,101,684	33	2,084,149	36
1755	Right-of-use asset	6(6)	31,417	-	-	-
1780	Intangible assets	6(8)	32,132	1	20,815	1
1840	Deferred income tax assets	6(21)	19,676	-	14,604	-
1920	Refundable deposits		3,788	-	3,788	-
15XX	**Total non-current assets**		2,209,397	34	2,143,056	37
1XXX	**Total assets**		$ 6,416,045	100	$ 5,780,011	100

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Winstek Semiconductor Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

December 31, 2018 and 2019

Unit: NT$ thousand

	Liability and shareholder's equity	Notes	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liability					
2170	Accounts payable		$ 71,808	1	$ 45,925	1
2180	Account payable-related parties		803	-	-	-
2200	Other payables	6(9)	430,014	7	211,553	3
2220	Other payables - related parties	7	9	-	484	-
2230	Current income tax liabilities		134,774	2	57,316	1
2250	Liability reserve - current		2,794	-	8,017	-
2280	Lease obligations－current		27,085	1	-	-
2320	Long-term liabilities due within one year or one operating cycle	6(10)	82,500	1	105,000	2
2399	Other current liabilities - others		139,347	2	113,213	2
21XX	**Total current liabilities**		889,134	14	541,508	9
	Non-current liability					
2540	Long-term loans	6(10)	607,500	10	638,269	11
2570	Deferred income tax liabilities	6(21)	4,020	-	5,449	-
2580	Lease obligations－non-current		1,638	-	-	-
2640	Net defined benefit liability - non-current	6(11)	21,216	-	16,831	1
2670	Other non-current liabilities – others		3,541	-	3,543	-
25XX	**Total non-current liabilities**		637,915	10	664,092	12
2XXX	**Total liabilities**		1,527,049	24	1,205,600	21
	Equity					
	Capital	6(12)				
3110	Capital from ordinary share		1,362,617	21	1,362,617	24
	Capital reserve	6(13)				
3200	Capital surplus		366,243	6	366,243	6
	Retained earnings	6(14)				
3310	Legal reserve		637,091	10	604,109	10
3320	Special reserve		-	-	67,932	1
3350	Undistributed earnings		2,568,899	40	2,135,595	37
	Other equity					
3400	Other equity		(45,854)	(1)	37,915	1
3XXX	**Total equity**		4,888,996	76	4,574,411	79
	Material commitments and contingencies	9				
	Significant subsequent events	11				
3X2X	**Total liabilities and equity**		$ 6,416,045	100	$ 5,780,011	100

The notes to the combined financial statements attached is part of the combined financial report for your reference.

Chairman of the Board: Huang Hsing-Yang Manager: Chih-Li Weng Accounting Officer: Kui-Chu Liu

Winstek Semiconductor Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand
(except for unit of earnings per share which is NTD)

	Items	Notes	2019 Amount	2019 %	2018 Amount	2018 %
4000	**Revenue**	6(15)and 7	$ 2,942,669	100	$ 2,869,643	100
5000	**Operating cost**	6(4)	(2,059,476)	(70)	(2,208,110)	(77)
5950	**Net gross profit**		883,193	30	661,533	23
	Operating expenses	6(19) and (20)				
6100	Selling expenses		(26,352)	(1)	(31,008)	(1)
6200	General and administrative expenses		(185,295)	(6)	(179,739)	(6)
6300	Research and development expenses		(15,930)	(1)	(14,946)	(1)
6000	**Total operationing expenses**		(227,577)	(8)	(225,693)	(8)
6900	**Operating profit**		(655,616)	(22)	(435,840)	(15)
	Non-operating income and expenses					
7010	Other income	6(16)	45,453	2	26,618	1
7020	Other gains and losses	6(17)	54,587	2	18,328	1
7050	Financing cost	6(18)	(15,023)	(1)	(24,574)	(1)
7000	**Total non-operating income and expenses**		85,017	3	20,372	1
7900	**Profit before tax**		740,633	25	456,212	16
7950	Income tax expense	6(21)	(172,990)	(6)	(126,392)	(5)
8200	**Net profit of this period**		$ 567,643	19	$ 329,820	11

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Winstek Semiconductor Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand
(except for unit of earnings per share which is NTD)

	Items	Notes	2019 Amount	2019 %	2018 Amount	2018 %
	Other comprehensive gain or loss					
	Items that will not be reclassified to profit or loss:					
8311	Remeasurements of defined benefit plans	6(11)	($ 5,775)	-	($ 3,696)	-
8310	**Total amount of items that will not be reclassified subsequently to profit or income**		(5,775)	-	(3,696)	-
	Items that may be reclassified to profit or loss					
8361	Foreign currency translation difference of financial statements of overseas business units		(83,769)	(3)	105,847	4
8360	**Total amount of items that may be reclassified subsequently to profit of loss**		(83,769)	(3)	105,847	4
8500	**Total consolidated profit/loss for the current period**		$ 478,099	16	$ 431,971	15
	Profit attributable to:					
8610	Owners of parent		$ 567,643	19	$ 329,820	11
	Total comprehensive income attributable to:					
8710	Proprietors of parent company		$ 478,099	16	$ 431,971	15
	Earnings per share	6(21)				
9750	**Basic earnings per share**		$ 4.17		$ 2.42	
9850	**Diluted earnings per share**		$ 4.11		$ 2.39	

The notes to the combined financial statements attached is part of the combined financial report for your reference.
Chairman of the Board: Huang Hsing-Yang Manager: Chih-Li Weng Accounting Officer: Kui-Chu Liu

Winstek Semiconductor Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity

January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand

		Equity attributable to owners of parent company						
				Retained earnings				
	Notes	Share	Capital surplus	Legal capital reserve	Special capital reserve	Retained earnings	The balance of translation of the financial statements of foreign operating institutions	Total equity
2018								
Balance as of January 1, 2018		$ 1,362,617	$ 366,243	$531,343	$ -	$ 2,118,026	($ 67,932)	$ 4,310,297
Effects of retrospective application and retrospective restatement		-	-	-	-	9,283	-	9,283
The balance after retrospective application on January 1, 2018		1,362,617	366,243	531,343	-	2,127,309	(67,932)	4,319,580
Net income in current period		-	-	-	-	329,820	-	329,820
Other comprehensive profit and loss in current period	6(11)	-	-	-	-	(3,696)	105,847	102,151
Total comprehensive gain or loss in current period		-	-	-	-	326,124	105,847	431,971
Annual appropriation of net income and allocation of the year 2017								
Appropriated as statutory surplus reserve		-	-	72,766	-	(72,766)	-	-
Appropriated as special surplus reserve		-	-	-	67,932	(67,932)	-	-
Cash dividend	6(14)	-	-	-	-	(177,140)	-	(177,140)
Balance as of December 31, 2018		$ 1,362,617	$ 366,243	$604,109	$ 67,932	$ 2,135,595	$ 37,915	$ 4,574,411

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Winstek Semiconductor Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity

January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand

		Equity attributable to owners of parent company						
				Retained earnings				
	Notes	Share	Capital surplus	Legal capital reserve	Appropriated as special capital reserve	Retained earnings	The balance of translation of the financial statements of foreign operating institutions	Total equity
2019								
Balance as of January 1, 2019		$ 1,362,617	$ 366,243	$604,109	$ 67,932	$ 2,135,595	$ 37,915	$ 4,574,411
Net income in current period		-	-	-	-	567,643	-	567,643
Other comprehensive profit and loss in current period	6(11)	-	-	-	-	(5,775)	(83,769)	(89,544
Total comprehensive gain or loss in current period		-	-	-	-	561,868	(83,769)	478,099
Annual appropriation of net income and allocation of the year 2018								
Appropriated as Legal reserve		-	-	32,982	-	(32,982)	-	-
Cash dividend	6(14)	-	-	-	-	(163,514)	-	(163,514)
Special reserve reversal		-	-	-	(67,932)	67,932	-	-
Balance as of December 31, 2019		$ 1,362,617	$ 366,243	$637,091	$ -	$ 2,568,899	($ 45,854)	$ 4,888,996

The notes to the combined financial statements attached is part of the combined financial report for your reference.

Chairman of the Board: Huang Hsing-Yang Manager: Chih-Li Weng Accounting Officer: Kui-Chu Liu

Winstek Semiconductor Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flow
January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand

	Note	January 1 To December 31, 2019	January 1 To December 31, 2018
Cash flow from operating activities			
Current net profit before tax		$ 740,633	$ 456,212
Adjusted items			
Income and expense items			
Depreciation expenses	6(5), 6(6), and 6(19)	755,958	669,391
Amortization expenses	6(8), and 6(19)	6,848	6,394
Interest expense	6(6) and 6(18)	15,023	24,574
Interest income	6(16)	(44,990)	(25,172)
Disposition of plant, property, and equipment	6(17) and 7	(57,320)	(14,120)
Changes in assets and liabilities relating to operating activities			
Net change in assets relating to operating activities			
Contract assets		(7,620)	(3,680)
Accounts receivable		(428,847)	377,828
Accounts receivable - related parties		1	(118)
Other receivables		(107)	442,207
Inventory		(6,022)	358
Other current assets - other		15,262	(2,593)
Net change in liabilities relating to operating activities			
Accounts payable		27,789	(81,927)
Account payable-related parties		803	-
Other payables		46,124	(115,296)
Other payables - related parties		(475)	484
Provisions		(5,210)	528
Other current liabilities		27,447	5,192
Net defined benefit liabilities		(1,388)	(859)
Other noncurrent liabilities		1	1,039
Cash flow from operating activities		1,083,910	1,740,442
Interest income received		42,536	24,450
Interest paid		(14,944)	(20,372)
Income tax paid		(97,781)	(215,786)
Net cash flow from operating activities		1,013,721	1,528,734

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Winstek Semiconductor Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flow
January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand

	Notes	January 1 To December 31, 2019	January 1 To December 31, 2018
Cash flow from investment activities			
Increase in financial assets measured at amortized cost		($ 5,581,004)	($ 4,686,976)
Decrease in financial assets measured at amortized cost		4,545,606	4,611,663
Acquisition of property, plant, and equipment	6(24) and 7	(518,013)	(628,586)
Intangible assets acquired	6 (8)	(18,491)	(3,733)
Disposal of property, plant, and equipment		60,996	24,468
Decreases in refundable deposits		-	766
Net cash flow from investing activities (out)		(1,510,906)	(682,398)
Cash from financing activities			
Short-term loans borrowed	6(25)	-	1,000,000
Repayment of short term loans	6(25)	-	(1,000,000)
Long-term loans borrowed	6(25)	480,000	1,041,750
Long-term loans repaid	6(25)	(540,000)	(1,315,793)
Release principal repayment	6(24)	(112,256)	-
Increases in guarantee deposits	6(25)	38	72
Decreases in guarantee deposits	6(25)	(33)	(65)
Cash dividends paid	6(14)	(163,514)	(177,140)
Net cash flow from financing activities (out)		(335,765)	(451,176)
Impacts on cash and cash equivalents from changes in exchange rates		(11,123)	30,650
Amount of cash and cash equivalents(decrease) increase		(844,073)	425,810
Cash and cash equivalents at beginning of year	6(1)	1,275,492	849,682
Cash and cash equivalents at end of year	6(1)	$ 431,419	$ 1,275,492

The notes to the combined financial statements attached is part of the combined financial report for your reference.

Chairman of the Board: Huang Hsing-Yang Manager: Chih-Li Weng Accounting Officer: Kui-Chu Liu

Winstek Semiconductor Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

2019 and 2018

Unit: NT$ thousand

I. Company History

Winstek Semiconductor Co., Ltd. (hereinafter referred to as "the Company") was established in April 26, 2000 in the ROC. The Company's shares were listed and traded at GreTai Securities Market in August 2005. The Company and its subsidiaries (hereinafter referred to as "the Group") are mainly engaged in the R&D and testing of integrated circuits, services of turnkey wafer bumping and wafer level packaging, and other related businesses.

Based on the operational consideration, and to comply with the reorganization plan of the Company's original parent, STATS ChipPAC Ltd. Group, the Company signed a legally binding list of important clauses on December 30, 2014, which were approved by the board of directors on December 25, 2014, to purchase the full shares of Winstek Semiconductor Technology Co., Ltd. (hereinafter referred to as "Winstek Semiconductor Technology") which were 100% held by STATS ChipPAC Ltd, at a total price of US$15 million. The main business of Winstek is the services of turnkey wafer bumping and wafer level packaging, etc. The company completed the payment to STATS ChipPAC Ltd. on July 30, 2014 and acquired the equity of Winstek Semiconductor Technology.

STATS ChipPAC Ltd., the original parent company of the Company, transferred all its shares in the Company to Bloomeria Ltd. in Singapore, its wholly owned subsidiary, on July 30, 2014. In addition, STATS ChipPAC Ltd., has distributed the above US$ 15 million and all the shares of Bloomeria Ltd. to the eligible shareholders of STATS ChipPAC Ltd., by capital reduction. Upon completion of the reorganization and capital reduction program of the group on August 5, 2015, the Company and its subsidiary Winstek Semiconductor Technology became separated from the STATS ChipPAC Ltd. group.

The ultimate parent company of the Company was originally Temasek Holding Ltd., and Silicon Microelectronics Corporation took control of the parent company Bloomeria Ltd. on October 13, 2017, and indirectly acquired 51.88% equity of the Company, becoming the ultimate parent company of the Group.

II. Approval date and procedures of the financial statements

This consolidated financial statements were issued by the board of directors on March 9, 2020.

III. Application of New and Amended International Financial Reporting Standards (IFRS) and Interpretations

(I) Effects of the adoption of new and amended IFRSs endorsed by the Financial Supervisory Commission (FSC):

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2019:

The Newly Issued/Amended/Revised Standards and Interpretations	Effective date issued by IASB
Amendments to IFRS 9 "Repayment 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 in the 2015-2017 cycle	January 1, 2019

The Group has assessed that the above standards and interpretations have no significant influence on the Group's financial position and financial performance, except as those indicated below:

IFRS 16 "Leases"

1. IFRS 16 “Leases” supersedes IAS 17 “Leases” and its relevant IFRIC and SIC interpretations. IFRS 16 requires that a lessee recognize right-of-use assets and lease liabilities for all leases unless the lease is less than 12 months or the underlying asset has a low value. Accounting treatment under IFRS 16 for a lessor is substantially unchanged, which allows a lessor to continue to classify leases as either operating or finance, except that additional disclosures are required.

2.According to the 2019 International Financial Reporting Standards(IFRS), International Accounting Standards, interpretation, and interpretation announcement (hereinafter referred to as IFRSs) ratified by the Financial Supervisory Commission, the Group does not re-compile comparative information regarding IFRS 16 (hereinafter referred to as “modified tracing adjustment” to respectively adjust right-of-use asset and leasing obligations by increasing $137,655.

3. Initially, the Group adopted the practical measure of expediency below applicable to IFRS 16:

(1) Lease contracts were not re-evaluated whether belong (or include) rental but were determined as a lease contract previously applicable to IFRS 17 and Interpretation 4 of IFRS and handled according to IFRS 16.

(2) Any lease contract combination with similar rational features uses the single

discount rate.

(3) For any leases terminated before December 31, 2019, they were handled with the principle of short-term lease and allocated as the amount of $112 in 2019.

(4) The direct cost was not included in the measure of right-of-use asset.

4. When calculating the current value of lease obligations, the Group adopted the group's incremental borrowing rate of interest at the interest range between 1.3877%~1.8000%.

5.The Group adopted the current value of incremental borrowing rate of interest discounted on initially applicable day and adjustment of lease obligations on January 1, 2019 according to the amount reconciled for operating lease obligations by IFRS 17:

Reconciled for operating lease obligations by IFRS 17 on December 31, 2018	$	168,831
Less: Exemption of short-term lease	(	112)
Less: Exemption of low-value asset	(	29,999)
Total amount of lease obligations of lease contracts recognized on January 1, 2019 according to IFRS 16	$	138,720
The group's incremental borrowing rate of interest on initial applicable day		1.3877%~1.800%
Lease obligations recognized on January 1, 2019 according to IFRS 16	$	137,655

(II) Effects of not yet applying the newly-announced and revised IFRSs endorsed by the FSC:

The following table compiles principles and interpretation of new announcement, amendment, and modification of IFRSs applicable in 2020 ratified by the FSC:

The Newly Issued/Amended/Revised Standards and Interpretations	Effective date issued by IASB
Amendments to IFRS 9, IAS 39 and IFRS 7 of Interest Rate Benchmark Reform	January 1, 2020
Amendments to IAS 1 and 8 of “Disclosure Initiative-Definition of Significance”	January 1, 2020
Amendments to IFRS 3 “Definition of Business”	January 1, 2020

After evaluating the said principles and interpretation, there has been no significant impacts on the Group’s financial status and performance.

(III) Effects of IFRSs issued by IASB but not yet endorsed by the FSC:

The following table summarizes the new, amended, revised standards and interpretation

of IFRSs that have been issued by IASB but not yet endorsed by the FSC:

The Newly Issued/Amended/Revised Standards and Interpretations	Effective date issued by IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by International Accounting Standards Board (IASB)
IFRS 17 "Insurance Contracts"	January 1, 2021

The Group assessed the effects of adopting the aforementioned standards and interpretations and found no significant effects on the Group's financial position and financial performance.

IV. Summary of significant accounting policies

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

(I) Statement of compliance

The consolidated financial statements are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as IFRS, IAS, IFRIC interpretations and SIC interpretations (collectively referred to as "IFRSs" hereinafter) endorsed by the FSC.

(II) Basis of preparation

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

   Defined benefit liabilities recognized based on the amount of pension fund assets less net present value of defined benefit obligations.

2. Critical accounting estimates are required when preparing financial statements in compliance with IFRSs. When the Group adopts the accounting policies, the management is required to exercise judgments on highly judgmental or complex items or significant assumptions and estimates with regards to this consolidated financial reports. Please refer to Note 5 for details.

(III) Basis of consolidation

1. Basis for preparation of consolidated financial statements:

   (1) The Group includes all subsidiaries as entities in the consolidated financial statements. Subsidiaries refer to entities controlled by the Group. Control is achieved 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. Subsidiaries are included in the consolidated financial

statements from the date on which the Group obtains control, and are excluded from the consolidated financial statements from the date when such control ceases.

(2) Transactions, balances and unrealized gains or losses between companies within the Group are eliminated. Accounting policies of subsidiaries are adjusted, when necessary, to remain consistent with those of the Group.

2. Subsidiaries included in the consolidated financial statements:

Name of investment company	Name of subsidiaries	Nature of business	Percentage of equity held		Details
			December 31, 2019	December 31, 2018	
The Company	Winstek Semiconductor Technology	Services of turnkey wafer bumping and wafer level packaging	100%	100%	

3. Subsidiaries not absorbed into the consolidated financial reports: none.

4. Adjustment for subsidiaries with different balance sheet date: none.

5. Significant restrictions: none.

6. Subsidiaries with material non-controlling interest to the Group: none.

(IV) Foreign currency translation

All items on the financial statements of each entity of the Group are measured at the currency of the principal economic environment in which the entity operates (i.e. functional currency). The consolidated financial statements are presented in NT$, which is the Company's functional and the Group's presentation currency.

1. Foreign currency transaction and balance

(1) Foreign currency transaction is translated to the functional currency by using the spot exchange rate on the trade date or measurement date. Any translation differences occurred are to be recognized in the current profit or loss.

(2) Balances of monetary assets and liabilities denominated in foreign currencies are adjusted at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such adjustments are recognized in profit or loss.

(3) For non-monetary assets and liabilities denominated in foreign currency, if they are measured at FVTPL, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising therefrom are recognized in profit or loss; if they are measured at FVOCI, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising therefrom are recognized in other

comprehensive income; and if they are not measured at fair value, they are measured at the historical exchange rates on initial transaction dates.

(4) All exchange gains and losses are presented as "Other gains and losses" on the statement of comprehensive income.

2. Translation from Foreign Operations

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

(1) The assets and liabilities presented in each balance sheet are translated at the closing rate of the balance sheet date;

(2) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(3) All resulting exchange differences are recognized in other comprehensive income.

(V) Classification of current and non-current assets and liabilities

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

(1) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(2) Assets held primarily for trading purposes;

(3) Assets that are expected to be realized within 12 months after the balance sheet date;

(4) Cash and cash equivalents, excluding those that are restricted, or to be exchanged or used to settle liabilities at least twelve months after the balance sheet date.

The Group classifies assets not meet the aforesaid criteria into non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

(1) Liabilities that are expected to be settled within the normal operating cycle.

(2) The liability is held mainly for transaction purposes.

(3) Liabilities that are expected to be settled within 12 months after the balance sheet date;

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after balance sheet date. Settlement by the issue of equity instruments based on transaction party's choice does not impact classification.

The Group classifies liabilities not meet the aforesaid criteria into non-current liabilities.

(VI) Cash equivalents

Cash equivalents refer to the investments that are short-term, highly liquid, subject to a low risk of changes in value, and readily convertible to known amount of cash. Time deposits satisfying the afore-mentioned definition and for which the objective of holding is to meet the short-term operating cash commitment are classified as the cash equivalent.

(VII) Financial assets measured at amortized cost

1. Refer to those comply with all the following conditions:
   (1) The financial asset is held under a business model for the purpose of collecting contractual cash flow.
   (2) The cash flows on specific dates that are generated from the contractual terms of the financial assets are solely payments of the principle and interest on the principle amount outstanding.
2. The Group uses the trade day accounting for financial assets measured at amortized cost and complied with trade practices.
3. The Group originally recognized the financial assets measured at its fair value plus transaction costs. Subsequently, the Group recognized interest income and impairment loss within the period of circulation by adopting the effective interest method in accordance with the amortization procedure. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.
4. The time deposits which are not complied with the definitions of cash equivalents held by the Group are measured by the amount of investment due to the short holding period and the immaterial influence of the discounting.

(VIII) Accounts receivable

1. Refers to the accounts which, as agreed in the contract, are entitled to unconditionally receive the amount of consideration for the transfer of commodity or services.
2. For the short-term accounts receivable with unpaid interest, the Group measures at the original invoice amount due to the immaterial influence of discounting.

(IX) Impairment of financial assets

The Group measures the loss allowance for financial assets measured at amortized cost after taking into account all reasonable and proving information (including foreseeing information) at each balance sheet date; where the credit risk has not significantly increased since initial recognition, the loss allowance is measured at the 12-month expected credit losses; where the credit risk has increased significantly since initial recognition, the loss allowance is measured at full lifetime expected credit losses; and where they are accounts receivables or contract assets that do not comprise any significant financing components, the loss allowance is measured at full lifetime expected credit

losses.

(X) Derecognition of financial assets

The Group derecognizes an asset when its contractual rights to receive cash flows from the financial asset expire.

(XI) Operating lease (lessor)

Rental income from operating lease deducted any incentives given to the lessor was recognized as current profit and loss according to straight line method of amortization during the lease term.

(XII) Inventory

Inventory, as the accounting foundation of acquisition cost, is mainly consumed and transferred to cost of sales in the process of providing services. Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average cost method. The item by item approach is employed when evaluating the lower of costs and net realizable value. Net realizable value is the balance of estimated selling price in the normal operating course less the estimated cost of completion and applicable variable selling expenses.

(XIII) Property, plant, and equipment

1. Property, plant, and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. The cost model is applied to other property, plant and equipment and these are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If the property, plant, and equipment comprise any significant components, they are depreciated individually.
4. In the end of each financial year, the Group reviews the residual value, useful life and depreciation method of each asset; if the expected values of the residual value and useful life are different from previous estimates, or the consumption patterns of the 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 change. The estimated useful lives of property, plant, and equipment are as follows:

Housing and construction equipment	5 ~ 25 years

Machinery equipment	3 ~ 8 years
Office and other equipment	3 ~ 8 years

(XIV) Lease transactions of the lessee－use-of-right asset/lease obligations

Applicable for 2019

1. Lease asset on the available day to the Group is recognized as use-of-right asset and lease obligations. When a lease contract belongs to short-term lease or low-value asset, it is recognized as expense according to straight-line method during the lease term.
2. Current value of lease obligations that are not paid on the beginning day of lease was converted into cash and recognized according to the Group's incremental borrowing rate of interest. Rental payment is fixed deducted any rental incentive collectable.

   The future interest method adopts the measurement of amortized cost method and recognized as interest expense during the leasing term. When there is a lease term or rental payment change resulting not from contract revision, lease obligations shall be re-evaluated and use-of-right asset shall be measured and adjusted accordingly.
3. Use-of-right asset shall be recognized according to the costs on the beginning day of lease and the costs include:

   (1) Initial measurement amount of lease obligations; and

   (2) Any initial direct costs arising.

   The cost model measurement is continuously adopted depending on the maturity of service life of right-of-use asset or termination of lease, which comes first, to amortize the depreciation amount. When lease obligations are re-evaluated, use-of-right asset shall adjust any re-measured amount of lease obligations.

(XV) Lease asset /operating lease(lessee)

Applicable for 2018

For operating leases, lease payments (excluding incentives from the lessor) are amortized on a straight-line basis over the lease term and recognized in profit or loss.

(XVI) Intangible asset

1. Technical royalty

   It is recognized at acquisition cost, amortized based on economic benefit or contract life by a straight-line method, with an estimated useful life of 7 years.
2. Computer software

   Computer software is recognized at acquisition cost, amortized by the straight-line method, with an estimated useful life of 3 to 5 years.

(XVII) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets for which there is an indication that they are impaired. An impairment loss is recognized for the amount when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When circumstances contributed to the recognition of impairment loss of an asset in the previous period do not exist or are decreased, the recognized impairment loss is reversed to the carrying amount of an asset to the extent that it does not exceed the carrying amount (net of depreciation and amortization) if the impairment loss had not been recognized.

(XVIII) Loan

1. Refers to the long-term or short-term funds borrowed from a bank. Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, borrowing expenses are recognized in profit or loss based on the difference amounts between the proceeds (net of any transaction costs) and the redemption value that are amortized over the lives of borrowings using the effective interest method.
2. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. When there is no evidence of the possibility that some or all the facility will be drawn down, the fee is recognized as a pre-payment and amortized over the period of the facility to which it relates.

(XIX) Accounts payable

1. Refers to the debts that incurred for the purchase of raw materials, commodity or services and notes payable that incurred by both operating and non-operating activities.
2. For the short-term accounts payable without paid interest, the Group measures them by the original invoice amount due to the immaterial influence of discount.

(XX) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(XXI) Liability reserve

Liability reserve is a current statutory or constructive obligation generated from a past event. It is likely that outflow of resources with economic benefit will be required to settle the obligation and the amount of the obligation shall be recognized when it can be estimated reliably. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used is a pre-tax discount rate which reflects current market assessments of the time value of

money and the risks specific to the liability. The discounted amortization amount is recognized as interest expense. Provisions are not recognized for future operating losses.

(XXII) Employee benefits

1. Short-term employee benefits

   Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and should be recognized as expenses in the period when the employees render service.

2. Pensions

   (1) Defined contribution plan

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

   (2) Defined benefit plans

   A. The net obligation under a defined benefit plan is defined as the present value of pension benefits that employees will receive on retirement for their services with the Company in the current period or prior periods. The amount recognized 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 computed by independent actuaries every year using the projected unit credit method. The discount rate employed is the market yields on government bonds (at the balance sheet date).

   B. The re-measured amount of defined benefit plans is recognized in other comprehensive income as it arises and presented in retained earnings.

3. Other long-term employee benefits

   The Group has long-term employee benefits in addition to pension plans. Its net obligation is calculated by projected unit credit method. It is measured by discounting the amount of future benefits earned by the employee from the current or past services less the fair value of any relevant assets. The discounting rate adopts the yield-to-maturity on the reporting date of government bonds, the due date which is close to the Group's obligations deadline. All actuarial gains and losses are recognized as profit and loss in the current period.

4. Compensation to employees and remuneration to directors and supervisors

   Compensation to employees and remuneration to directors and supervisors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations 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.

(XXIII) Income Tax

1. Income tax expense comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The income tax expenses are calculated on tax rates on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. For the income tax levied on retained earnings in accordance with the income tax law, it shall be recognized as retained earnings income tax expenses, based on the actual allocation status of surplus, after the surplus allocation plan has been approved in the shareholders' meeting in the following year of the year in which the surplus is generated.
3. Deferred income tax adopts the balance sheet approach. It is recognized as the temporary difference between the tax bases of assets and liabilities and their carrying amounts on the consolidated balance sheet at the reporting date. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income 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 income tax asset is realized or the deferred income tax liability is settled.
4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
5. If tax rate changes occur in the interim, the Group recognizes all effects of changes to the period when such changes accrue; for income tax attributable to items not included in profit or loss, effects of changes are recognized in other comprehensive income or equity; and for income tax related to items included in profit or loss, effects of changes are recognized in profit or loss.

(XXIV) Share capital

Ordinary shares are classified as equity. The net amount of increased cost (directly attributed to the issue or warrant of new shares) less income tax, will be recognized as price reduction in equity.

(XXV) Dividend distribution

The dividend allocated to the shareholders of the Company shall be recognized in the financial report during the resolution of the shareholders' meeting to distribute dividend, while cash dividends shall be recognized as liabilities.

(XXVI) Revenue recognition

1. Income from labor services

The Group engages in R&D and testing of integrated circuits, and services of turnkey wafer bumping and wafer level packaging and other related businesses. If the following conditions are complied with: (a) with the performance of contract by enterprises, customers acquire and consume the benefits provided by enterprises; (b) the performance of contract by enterprises creates or strengthens the assets which are controlled by the customer during the performance process; (c) the performance of contract by enterprises does not create assets which are useful for other purposes, in addition to the presence of executable rights on the currently completed performance items, then the enterprise will gradually transfer control of the commodity or services over time, thus the performance obligations are gradually fulfilled and are recognized as income. The testing and packaging services provided by the Group meet the condition (b) above, hence they shall be recognized as revenue gradually over time by following the procedure of completion measurement on the performance obligations.

The Group has not adjusted the transaction price to reflect the time value of the currency, because the time interval between the transfer of the promised commodity or services to the customer and the customer's payment time has not exceeded one year.

2. Consideration income

The Group retains production capacity to provide semiconductor testing and packaging services to customers. During the term of the contract, if the purchase quantity of customer less than the minimum purchase amount agreed in the contract each year, the Group may claim the balance consideration for the part of the reserved production capacity not exceeding the purchase amount in accordance with the procedures stipulated in the contract. The income from the balance consideration shall meet the performance obligations upon the transfer of control of each performance obligation and shall be recognized as income.

V. The primary sources of uncertainties in major accounting judgments, estimates, and assumptions

When preparing the consolidated financial statements, management of the Group had determined its accounting policies based on its judgments and made accounting estimates and assumptions based on a rational expectation of future events depending on the circumstances at the balance sheet date. If there is any difference between any critical accounting estimates and assumption made and actual results, the historical experience, and other factors will be taken into account in order to continue assessment and adjustment. Such estimates and assumptions may result in a risk of a material adjustment to the carrying amount of assets and liabilities in the next year. The related information is addressed below:

(I) Major judgments in adopting the accounting policies

None.

(II) Critical accounting estimates and assumptions

None.

VI. Descriptions of major accounting subjects

(I) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 100	$ 100
Checking deposit and demand deposit	431,319	506,812
Time deposits	-	768,580
Total	$ 431,419	$ 1,275,492

1. The Group deals with financial institutions with good credit quality. The Group also deals with various financial institutions to diversify credit risks. Therefore, the expected risk of default is pretty low.
2. The Group has not pledged any cash or cash equivalents.

(II) Financial assets measured at amortized cost

Items	December 31, 2019	December 31, 2018
Current items:		
Time deposits	$ 2,469,160	$ 1,458,175
Non-current items:		
Time deposits	$ 20,700	$ 19,700

1. The details of recognition of financial assets measured by amortized cost as gains or losses are as follows:

	2019	2018
Interest income	$ 37,015	$ 16,489

2. The time deposits with an amount of $20,700, with purpose of which is restricted by the customs guarantee are accounted in "financial assets measured at amortized cost - non-current." Please refer to note VIII for details.

(III) Accounts receivable

Items	December 31, 2019	December 31, 2018
Accounts receivable	$ 1,156,714	$ 751,857
Accounts receivable - related parties	117	118
	1,156,831	751,975
Less: allowance for losses and bad debts	-	-
	$ 1,156,831	$ $ 751,975

The Group does not have accounts provided as hypothecation security.

1. Aging analysis of accounts receivable is stated as follows:

	December 31, 2019	December 31, 2018
Not overdue	$ 747,642	$ 381,579
≤30 days	266,790	99,772
31-90 days	142,263	215,721
91-180 days	130	54,903
More than 181 days	6	-
	$ 1,156,831	$ 751,975

The aging analysis above was based on the number of days overdue.

2. The account receivable balance as of December 31 2019 and December 31 2018 were generated from customer contracts, and the account receivable balance from customer contracts as of January 1 2018 amounted to $1,108,706.
3. The maximum exposure of credit risk of the group deriving from account receivables let alone the collaterals held or other enhanced credit amounted to $1,156,831 and $751,975 as of December 31 2019 and December 31 2018, respectively.For credit risk information, please refer to Note 12(2).

(IV) Inventory

	December 31, 2019	December 31, 2018
Raw materials	$ 81,482	$ 76,205
Allowance for price decline of inventories	(2,582)	(1,354)
Carrying amount	$ 78,900	$ 74,851

The cost of inventories recognized as expense for the period:

	2019	2018
Cost of inventories have been consumed	$ 2,055,969	$ 2,207,737
Loss from falling price	1,374	373
Recovered interest	2,279	-
Exchange Influence	(146)	-
	$ 2,059,476	$ 2,208,110

(V) Property, plant, and equipment

	2019					
	Land	Buildings	Machinery equipment	Office equipment and other equipment	Equipment awaiting examination	Total
Cost	$ 194,924	$ 848,779	$ 11,056,984	$ 1,286,930	$ 86,231	$ 13,473,848
Accumulated depreciation	-	(752,381)	(9,500,369)	(1,136,949)	-	(11,389,699)
	$ 194,924	$ 96,398	$ 1,556,615	$ 149,981	$ 86,231	$ 2,084,149
January 1	$ 194,924	$ 96,398	$ 1,556,615	$ 149,981	$ 86,231	$ 2,084,149
Additions	-	2,514	459,872	113,683	123,578	699,647
Disposals	-	-	(3,676)	-	-	(3,676)
Reclassification	-	-	52,361	28,128	(80,579)	-
Depreciation expenses	-	(32,136)	(564,896)	(49,958)	-	(646,990)
Net exchange differences	-	-	(21,605)	(2,048)	(7,793)	(31,446)
December 31	$ 194,924	$ 67,776	$ 1,478,671	$ 239,876	$ 121,437	$ 2,101,684
December 31						
Cost	$ 194,924	$ 851,293	$ 10,957,684	$ 1,310,031	$ 121,437	$ 13,435,369
Accumulated depreciation	-	(784,517)	(9,479,013)	(1,070,155)	-	(11,333,685)
	$ 194,924	$ 66,776	$ 1,478,671	$ 239,876	$ 121,437	$ 2,101,684

	2018					
	Land	Buildings	Machinery equipment	Office equipment and other equipment	Equipment awaiting examination	Total
Cost	$ 194,924	$ 845,057	$ 10,849,189	$ 1,186,026	$ 33,909	$ 13,109,105
Accumulated depreciation	-	(732,072)	(9,185,756)	(1,090,213)	-	(11,006,041)
	$ 194,924	$ 114,985	$ 1,663,433	$ 95,813	$ 33,909	$ 2,103,064
January 1	$ 194,924	$ 114,985	$ 1,663,433	$ 95,813	$ 33,909	$ 2,103,064
Additions	-	17,379	423,589	94,116	86,094	621,178
Disposals	-	-	(10,348)	-	-	(10,348)
Reclassification	-	-	33,654	381	(34,035)	-
Depreciation expenses	-	(35,996)	(590,866)	(42,559)	-	(669,391)
Net exchange differences	-	-	37,153	2,230	263	39,646
December 31	$ 194,924	$ 96,398	$ 1,556,615	$ 149,981	$ 86,231	$ 2,084,149
December 31						
Cost	$ 194,924	$ 848,779	$ 11,056,984	$ 1,286,930	$ 86,231	$ 13,473,848
Accumulated depreciation	-	(752,381)	(9,500,369)	(1,136,949)	-	(11,389,699)
	$ 194,924	$ 96,398	$ 1,556,615	$ 149,981	$ 86,231	$ 2,084,149

1. Amount of capitalization and interest rate range of real estate, plants, and equipment borrowing costs:

	2019	2018
Amount of capitalization	$ 1,753	$ -
Interest rate range	1.27%~1.39%	-

2. Please refer to Note VIII for detailed information regarding the guarantee of property, plant, and equipment.

(VI) Lease transactions－Lessee

Applicable for 2019

1. Underlying assets of leased by the Group include any building, machinery equipment, and company vehicles. Normally, the lease term is between two to ten years. All lease contracts are negotiated individually and include various terms and conditions. Except for pledge and guarantee purposes, no other restrictions have been imposed.
2. Information of book value and depreciation expense of right-of-use asset is described below:

	December 31, 2019	2019
	Book Value	Depreciation Expense
Building	$ 475	$ 535
Machinery Equipment	27,862	107,047
Transportation Equipment (Company Vehicle)	3,080	1,386
	$ 31,417	$ 108,968

3. The increase of right-of-use asset in 2019 of the Group is $2,744.
4. Information of profit and loss items related to lease contracts is shown below:

	2019
Items of influence of current profit and loss	
Interest expense of lease obligations	$ 921
Expense of short-term lease	3,285
Expense of low-value asset lease	10,295

5. The total amount of cash outflow to rental of the Group in 2019 was $125,994.

(VII) Lease transactions－Lessor

1. Underlying assets of leased out by the Group include any buildings and generally, the lease term is five years. Lease contracts are negotiated individually and include various terms and conditions. Requirements are usually made for uses of asset rented for security purpose.
2. In 2018 and 2019, rental income has been recognized as $463 及$482 respectively according to operating lease contracts and there has been no change of lease payment change.
3. Analyses of maturity date of lease payment of operating lease of the Company is shown below:

	December 31, 2019		December 31, 2018
2020	$ 406	2019	$ 463
2021	117	2020	406
2022	-	2021	117
Total	$ 523	Total	$ 986

(VIII) Intangible asset

	2019		
	Technical royalties	Computer software	Total
January 1			
Cost	$ 36,858	$ 156,450	$ 193,308
Accumulated amortization and impairment	(36,858)	(135,635)	(172,493)
	$ -	$ 20,815	$ 20,815
January 1	$ -	$ 20,815	$ 20,815
Add - derived from separate gain	-	18,491	18,491
Amortization	-	(6,848)	(6,848)
Net exchange differences	-	(326)	(326)
December 31	$ -	$ 32,132	$ 32,132
December 31			
Cost	$ 35,976	$ 172,105	$ 208,081
Accumulated amortization and impairment	(35,976)	(139,973)	(175,949)
	$ -	$ 32,132	$ 32,132

	2018		
	Technical royalties	Computer software	Total
January 1			
Cost	$ 35,712	$ 147,678	$ 183,390
Accumulated amortization and impairment	(35,712)	(126,225)	(161,937)
	$ -	$ 21,453	$ 21,453
January 1	$ -	$ 21,453	$ 21,453
Add - derived from separate gain	-	5,338	5,338
Amortization	-	(6,394)	(6,394)
Net exchange differences	-	418	418
December 31	$ -	$ 20,815	$ 20,815
December 31			
Cost	$ 36,858	$ 156,450	$ 193,308
Accumulated amortization and impairment	(36,858)	(135,635)	(172,493)
	$ -	$ 20,815	$ 20,815

The amortization details of intangible assets are as follows:

	2019	2018
Operating cost	$ 3,385	$ 3,376
Administrative expenses	3,463	3,018
	$ 6,848	$ 6,394

(IX) Other payables

	December 31, 2019	December 31, 2018
Bonus and salaries payable	$ 129,967	$ 116,786
Compensation payable to employees and remuneration payable to Directors and Supervisors	71,009	47,363
Payables on equipment	229,038	47,404
	$ 430,014	$ 211,553

(X) Long-term loans

Loan type	Loan period and repayment method	Interest range	Collateral	December 31, 2019
Long-term bank loans				
Credit borrowing	From November 27, 2018 to November 27, 2021, to repay in installments over the period of the agreement	1.3934%	None	$ 240,000
Credit borrowing	From March 20, 2019 to March 20, 2022, to repay in installments over the period of the agreement	1.3500%	None	150,000
Credit borrowing	From March 20, 2019 to March 20, 2022, to repay in installments over the period of the agreement	1.2700%	None	300,000
				690,000
Less: Long-term loans due within one year or one operating cycle				(82,500)
				$ 607,500

Loan type	Loan period and repayment method	Interest range	Collateral	December 31, 2018
Long-term bank loans				
Credit borrowing	From April 27, 2018 to April 27, 2021, to repay in installments over the period of the agreement	1.7970%	None	$ 450,000
Credit borrowing	From November 27, 2018 to November 27, 2021, to repay in installments over the period of the agreement	1.3877%	None	300,000
				750,000
Less: Long-term loans due within one year or one operating cycle				(105,000)
Less: Arranger fees				(6,731)
				$ 638,269

To complete the reorganization plan of STATS ChipPAC Ltd. Group, and to subsequently obtain 100% of Winstek Semiconductor Technology, on July 23, 2015, the Company and Winstek Semiconductor Technology with Singapore's DBS Bank signed a credit contract with a total amount of US$127 million, the duration of which was three years and may be extended for another two years with application and additional payment of extension fee of 0.2% of the unamortized balance. The Company provided guarantee and reverse commitment for Winstek Semiconductor Technology, when Winstek Semiconductor Technology applied US$127 million credit extension from DBS Bank, and when Winstek Semiconductor Technology applied to open the guaranteed letter of credit of US$127 million from DBS Bank (Taiwan) for the guarantee of such credit extension to DBS Bank.

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

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

1. During the loan period, the Company (joint guarantor) shall maintain the specific financial ratios such as the debt ratio and the interest coverage ratio, etc. in the annual consolidated financial statements audited and verified by the CPA and the quarterly consolidated financial statements reviewed by the CPA. The consolidated financial statements of the Group for the year 2017 met its financial ratio limits.
2. After the closing date of the acquisition of Winstek Semiconductor Technology, DBS Bank (Taiwan) shall have the right to cancel the loan and request Winstek Semiconductor Technology to deposit the amount equal to the outstanding guarantee amount into the specified account immediately if the following control rights of the Group have changed.
   (1) Bloomeria Ltd. does not directly or indirectly hold more than 45% equity of Winstek Semiconductor Co., Ltd.
   (2) Singapore Technologies Semiconductor Pte Ltd. does not directly or indirectly hold more than 50% equity of Bloomeria Ltd.
   (3) Winstek Semiconductor Technology is not a 100% owned subsidiary of the Group.
3. The Group shall not be arbitrarily merged, divided or restructured without the consent of DBS Bank, unless the merged parties belong to the same group.
4. According to the agreement, the Group shall not pay dividends to shareholders from the date of loan until full repayment, unless:
   (1) At the time of dividend payment, there is no default by the Group.
   (2) After the allocation of dividends, the cash and cash equivalents of the Group shall not be less than US$30 million or less than the other equivalent currency.
5. The Group shall not amend its terms of the technical services agreement between the Group and STATS ChipPAC Ltd., that shall have a material influence, unless the loan has been fully repaid.

Silicon Microelectronics Corporation on October 13, 2017, obtained the control right of the Group's parent company Bloomeria Ltd. The equity trading has contravened the bank loan contractual provision where Singapore Technologies Semiconductor Pte Ltd. shall not hold more than 50% equity of Bloomeria Ltd. In accordance with the provisions, DBS Bank shall have the right to cancel the loan and request Winstek Semiconductor Technology to deposit the amount equal to the outstanding guarantee amount into the specified account immediately. In order to meet the above restrictions, Winstek had repaid all the balance of the loan (US$33,691,000) in advance on January 23, 2018, and because of this, it paid the additional fee of NT$4,506 as agreed in the contract. In addition, in accordance with the above repayment, the Company's endorsement guarantee provided to Winstek Semiconductor Technology has been cancelled on January 26, 2018.

<u>Secured bank borrowings</u>

In accordance with the provisions of the credit extension contract signed on April 16, 2018, the following financial ratios and agreements shall be maintained prior to the full repayment of the debts incurred, for the duration of this credit extension case:

1. Net financial ratio: the total net financial liabilities divided by the profit before tax of consolidated financial statements plus interest expenses plus depreciation expenses and amortization expenses shall be less than 3 times.
2. Interest coverage ratio: the net profit before tax plus interest expenses plus depreciation expenses and amortization expenses divided by interest expenses of consolidated financial statements shall be more than 4 times.

The said guarantee loans have been paid in full earlier in 2018.

Credit loans

According to terms of credit contracts signed, before loans are paid back in full before the each credit duration, financial ratios and terms shall be maintained as summarized below:

1. Current ratio: the net current assets divided by the net current liabilities in the consolidated financial statements shall not be less than 100%.
2. Debt ratio: the total net liabilities plus contingent liabilities divided by tangible net value in the consolidated financial statements shall not be more than 100%.
3. Interest coverage ratio: the net profit before tax plus interest expenses plus depreciation expenses and amortization expenses divided by interest expenses in the consolidated financial statements shall not be less than 10 times.
4. Shares of Winstek Semiconductor Co., Ltd. held by Sigurd Co.Ltd. shall not be less than 50%.
5. Net value of tangible assets shall not be lower than NT$3.8 billion.
6. The balance of deposit at the contract bank over the recent three months on average shall not be lower than NT$ 6 million.

The said financial commitment ratios use the consolidated financial statement audited or approved by the CPT quarterly as the calculation basis and the consolidated financial statement of the Group in 2018 and 2019 meet the requirement of the financial ratios.

(XI) Pension Funds

1. (1) The company and the subsidiaries in accordance with the provisions of the "Labor Standards Law," have made the method to define retirement allowance, which applies to the length of service of all regular employee before the implementation of "Labor Pensions Ordinance" on July 1, 2005, and the length of follow-up service of employee choosing to continue to apply to "Labor Standards Law" after the implementation of "Labor Pensions Ordinance." Pension payments for employees qualified for the aforementioned retirement criteria are calculated in accordance with the years of service rendered and the average salaries or wages of the last 6 months prior to retirement. Two bases

are given for each full year of service over the first 15 years, and one base is given for an additional year of service thereafter, provided that the total bases do not exceed forty-five (45). The Company shall contribute 2% of the total salary to the pension fund on a monthly basis, which shall be deposited into an account of the Bank of Taiwan in the name of the Supervisory Committee of Workers' Pension Preparation Fund. Prior to the end of each annual period, the Company assesses the balance of the aforementioned designated account for the labor pension fund. If the balance is determined insufficient to pay off the pension amount computed by the aforementioned approach for employees qualified for retirement within next year, the Company will make a lump sum contribution to make up the shortfall before the end of March of the following year.

(2) Amounts recognized on the balance sheets are as follows:

	December 31, 2019	December 31, 2018
Present value of Defined Benefit obligations	$ 44,297	$ 37,392
Fair value of plan assets	(23,080)	(20,561)
Net defined benefit liabilities	$ 21,217	$ 16,831

(3) Changes in net defined benefit liabilities are as follows:

	2018		
	Present value of defined benefit obligations	Plan fair value of assets	Net defined benefit liabilities
2019			
Balance as of January 1	$ 37,392	($ 20,561)	$ 16,831
Interest expense (income)	514	(294)	220
	37,906	(20,855)	17051
Remeasurement amount:			
Plan assets return (excluding amounts included in interest income or expenses)	-	($ 616)	(616)
Impacts of changes in demographic assumptions	2,339	-	2,339
Impacts of changes in financial assumptions	2,269	-	2,269
Experience adjustment	1,783	-	1,783
	6,391	(616)	5,775
Provision of pension funds	-	(1,609)	(1,609)
Balance as of December 31	$ 44,297	($ 23,080)	$ 21,217

	2018		
	Present value of defined benefit obligations	Plan fair value of assets	Net defined benefit liabilities
2018			
Balance as of January 1	$ 32,375	($ 18,731)	$ 13,994
Interest expense (income)	491	(281)	210
	32,216	(19,012)	14,204
Remeasurement amount:			
Plan assets return (excluding amounts included in interest income or expenses)	-	(480)	(480)
Impacts of changes in demographic assumptions	2,927	-	2,927
Impacts of changes in financial assumptions	635	-	635
Experience adjustment	614	-	614
	4,176	(480)	3,696
Provision of pension funds	-	(1,069)	(1,069)
Balance as of December 31	$ 37,392	($ 20,561)	$ 16,831

(4) The fund asset of the Company's defined benefit pension plan (hereinafter referred to as the "Fund") is entrusted to the Bank of Taiwan, which manages, or entrusts others to manage, the Fund in accordance with entrusted items enumerated in Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (i.e. deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products) to the extent of limitations on investment percentage and amount as stipulated in the Fund's annual utilization plan. The status of utilization of the Fund is subject to supervision by the Labor Pension Fund Supervisory Committee. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case any deficiency in the earnings arises, Treasury Funds can be used to cover the deficits after the approval of the competent authority. Since the Company has no right to participate in the operation and management of the Fund, it is not able to disclose the classification of the fair value of plan assets as required in IAS 19 paragraph 142. For the fair value of the total assets of the Fund as of 31 December, 2018 and 31 December, 2019, please refer to the various annual labor pension utilization reports issued by the government.

(5) Actuarial assumptions on pensions are summarized as follows:

	2019	2018
Discount rate	1.000%	1.375%
Future increase rate of wage	3.000%	3.000%

The assumptions for future mortality rate are estimated by the Fifth Experience Mortality Table of Taiwan's life insurance industry.

Effects of changes in the principal actuarial assumptions on present value analysis of defined benefit obligation are as follows:

	Discount rate		Future increase rate of wage	
	Increase of 0.25%	Decrease of 0.25%	Increase of 0.25%	Decrease of 0.25%
December 31, 2019				
The impact on present value of defined benefit obligations	($ 1,586)	$ 1,664	$ 1,607	($ 1,541)
December 31, 2018				
The impact on present value of defined benefit obligations	($ 1,367)	$ 1,434	$ 1,390	($ 1,333)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, many changes in assumptions may be linked together. The method used for the sensitivity analysis and calculation of the net defined benefit pension liability is the same. The method of analysing sensitivity and the method of calculate net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of the sensitivity analysis for the current period are the same as those used in the previous period.

(6) The Group's projected allocation to the pension plan for the year 2020 is $1,478.

(7) As at 31 December 2019, the weighted average duration of the pension plan is 14.6 years. The analysis of the due dates of retirement allowance payment is as follows:

Within 1 year	$ 512
1 - 2 years	512
2 - 5 years	4,989
5-10 years	7,596
	$ 13,609

2. (1) As of July 1, 2005, the Company and its subsidiaries have, in accordance with the "Labor Pensions Ordinance," have made the method to define retirement allowance, which applies to local employees. Where the employees have

elected to apply the labor pension system as stipulated in the Labor Pension Act, the Company and subsidiaries make a contribution in an amount equal to 6% of the employees' monthly salaries or wages to their individual accounts in the Bureau of Labor Insurance.

(2) The retirement allowance costs recognized by the Group under the above retirement allowance method were $24,052 and $24,549 respectively in the years of 2019 and 2018.

3. The other long-term employee benefit plans (pension) provided by the Group to the employees, which is measured by an actuarial technology on other long-term employee benefit liabilities, in accordance with the actuarial report, the amounts recognized as costs and expenses of other long-term employee benefit plans were $0 and $1,041 respectively in the years of 2019 and 2018, and on December 31, 2019 and 2018, other long-term employee benefit liabilities were $3,335 and $3,335 respectively.

(XII) Share capital

On December 31, 2019, the Company's authorized capital was NT$4 million, divided into 400 million shares, and the paid-up capital was NT$1,362,617, with a face value of NT$ 10 per share. Share payments for the Company's issued shares have been collected in full.

Quantities of the Company's outstanding ordinary shares at the beginning and ending of periods were reconciled as follows:

Unit: 1,000 shares

	2019	2018
January 1/December 31	136,262	136,262

(XIII) Capital surplus

According to the provisions of the Company Act, over face value of share premium gifts of assets donated to additional paid-in capital for covering deficit. If there is no accumulated deficit in company, company shall issue new shares with existing shares or cash by ratio to shareholders According to the relevant provisions of the Securities Exchange Act, allocated capital from additional paid-in capital, its maximum not exceed the limit of 10% of the paid-up capital each year Company in surplus reserves to fill the capital loss still remains insufficient, may not be complemented by additional paid-in capital.

	2019	
	Issue premium	Difference in the share price and nominal value of the acquired or disposed shares in subsidiaries
January 1/December 31	$ 250,734	$ 115,509

	2018	
	Issue premium	Difference in the share price and nominal value of the acquired or disposed shares in subsidiaries
January 1/December 31	$ $ 250,734	$ 115,509

(XIV) Retained earnings

1. In accordance with the Articles of Association of the Company, if there is after-tax surplus in the annual accounts, 10% of the statutory capital reserve shall be appropriated after covering the loss of previous years, and the special capital reserve shall be appropriated as necessary. If there is still surplus, together with the accumulated undistributed surplus of the previous years, the Board of Directors may reserve a portion of the surplus based on the operating circumstances, and draw the allocation plan of net income and submit to the shareholders' meeting for resolution to distribute shareholder dividend. The Board of Directors authorized will especially resolve to distribute part or all stock dividend and bonus in cash and report to the shareholders' meeting.
2. The dividend distribution policy of the Company shall consider the current surplus status of the Company and the future investment environment, the capital demand, capital budget plan and operating plan, etc., allocated according to the financial structure and the surplus dilution situation, the amount of which shall be not less than 10% of the net surplus after-tax in current year, but shall be retained and not assigned if the EPS is below NT$ 0.5 or dividend distribution will result in a breach of contract. The Company's surplus may be distributed as stock dividends or cash dividends, of which the cash dividends shall not be less than 10% of the total dividends.
3. The Board of Directors of the Company may at the end of a semi-accounting year, compile a business report, financial statements, and resolutions about surplus distribution or recovery of loss for the audit first by the Audit Committee and submission to the Board of Directors afterwards. When distributing surplus, tax payables, recovery of losses, and statutory surplus reserve as required by laws hall be estimated and reserved. But there shall be an exception when statutory surplus reserve exceeds the amount of paid-in capital. If distribution of the said surplus is provided via issuing of new stocks, it shall be handled according to Article 240 of the Company Law and the distribution in cash shall be resolved by the Board of Directors.

4. The statutory capital reserve shall not be used except to cover the Company's losses and to issue new shares or cash in proportion to the shareholders' original holdings. However, when new shares are issued or cash is distributed, the amount shall exceed 25% of the reserves of the paid-in capital.

5. By resolutions of the shareholders' meeting on June 10, 2019 and June 12, 2018, respectively, the Company adopted the following surplus allocation for the years of 2018 and 2017:

	2018		2017	
	Amount	Dividend per share (NT$)	Amount	Dividend per share (NT$)
Cash dividend	$ 163,514	$ 1.20	$ 177,140	$ 1.30

6. By a resolution of the Board of Directors on March 9, 2020, the Company adopted the following surplus allocation plan for the year 2019:

	2018 (Note)	
	Amount	Dividend per share (NT$)
Cash dividend	$ 204,392	$ 1.50

Note: Please visit the Market Observation Post System for information about dividend distribution decided by the Board of Directors of the Company.

(XV) Revenue

	2019	2018
Revenue from customer contracts	$ 2,942,669	$ 2,869,643

1. Segments of revenue from contracts with customers

The revenue of the Group is derived from the provision of services that are gradually transferred over time and can be categorized into the following main product lines:

2019	Testing income	Bumping income	Other labor services income	Total
Segment revenue	$ 712,432	$ 1,335,676	$ 894,561	$ 2,942,669
Revenue from external customer contracts	$ 712,432	$ 1,335,676	$ 894,561	$ 2,942,669

2018	Testing income	Bumping income	Other labor services income	Total
Segment revenue	$ 1,085,236	$ 1,784,154	$ 253	$ 2,869,643
Revenue from external customer contracts	$ 1,085,236	$ 1,784,154	$ 253	$ 2,869,643

2. Contract assets and liabilities

The assets and liabilities associated with the client's contract revenue recognized by the Group are as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
Contract assets:			
Contract assets - packaging testing	$ 20,401	$ 13,161	$ 9,283

(XVI) Other income

	2019	2018
Interest income:		
Interest from bank deposits	$ 7,975	$ 8,683
Interest income from financial assets at amortized cost	37,015	16,489
Total interest income	44,990	25,172
Rental income	463	1,446
	$ 45,453	$ 26,618

(XVII) Other gains and losses

	2019	2018
Interests from disposal of property, plant, and equipment	$ 57,320	$ 14,120
Foreign exchange gains (losses)	(4,442)	4,740
Miscellaneous expenses	$	$
Advance repayment losses on long-term loans	-	(4,506)
Other gains and losses	1,709	3,974
	$ 54,587	$ 18,328

(XVIII) Financial cost

	2019	2018
Interest expense	$ 14,102	$ 24,574
	921	-
Other financial expenses	$ 15,023	$ 24,574

(XIX) Additional information regarding the nature of expense

	2019	2018
Employee benefit expenses	$ 734,332	$ 718,688
Depreciation expenses of property, plant, and equipment	755,958	669,391
Amortization expense of intangible assets	$ 6,848	$ 6,394

(XX) Employee benefit expenses

	2019	2018
Wages and salaries expenses	$ 629,787	$ 607,735
Labor and health insurance expenses	51,086	53,730
Pension expense	24,272	24,759
Other employment expenses	29,187	32,464
	$ 734,332	$ 718,688

1. According to the Articles of Association of the Company, if the Company earns profits during the year, 0.1%~15% of which shall be allocated to the employees bonus. Where employees bonus is paid in stock or cash, the payees includes employees who meet certain conditions in the controlling company or their subordinate companies. However, if the Company still has an accumulated deficit, the amount to offset the deficit shall be retained first. if the company earns profits during the year, less than 3% of which shall be appropriated as directors' bonus depending on the operating circumstances. However, if the Company still has an accumulated deficit, the amount to offset the deficit shall be retained first.
2. The estimated amount of employee bonus of the Company in the year of 2019 and year 2018 is $44,347 and $28,088 respectively; the estimated amount of directors' bonus was $0. The foregoing amounts were accounted as pay expenses.

   The employees bonus and directors' bonus in resolution of the Board of Directors in 2018 are the same as the amount recognized in the financial report of 2018.

   Information about employee compensation and remuneration to directors and

supervisors approved by the Board of Directors is available on the Market Observation Post System.

(XXI) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2019	2018
Current income tax:		
Income tax incurred in current period	$ 158,924	88,123
Tax on undistributed profit	23,347	40,506
Overestimation of prior year's annual income tax	(2,780)	(3,148)
Total income tax in the period	179,491	125,481
Deferred income tax:		
Initial recognition and reversal of temporary differences	(6,501)	2,687
Impacts of tax rate changes	-	(1,776)
Total deferred income tax	(6,501)	911
Income tax expense	$ 172,990	$ 126,392

2. Relation between income tax expense and accounting profit

	2019	2018
Income tax calculated on net profit before tax by statutory tax rate	$ 148,126	$ 91,241
Expenses which shall be excluded in accordance with the provisions of the tax law	705	715
Overestimation of prior year's annual income tax	(2,779)	(3,148)
Impacts of tax law amendments on income tax	-	(1,776)
Tax on undistributed profit	23,347	40,506
Other	3,591	(1,146)
Income tax expense	$ 172,990	$ 126,392

3. The amount of assets or liabilities of deferred income tax resulting from temporary difference is shown below:

	2019		
	January 1	Recognized in profit and loss	December 31
Deferred income tax assets:			
- Temporary differences:			
Tax differentials in depreciation expenses	$ 10,412	$ 595	$ 11,007
Unrealized exchange loss	2,324	5,247	7,571
Inventory allowance loss from falling price	265	275	540
Other	1,603	(1,045)	558
Subtotal	14,604	5,072	19,676
- Deferred income tax liabilities:			
Unrealized exchange gains	(5,304)	1,706	(3,598)
Other	(145)	(277)	(422)
Subtotal	(5,449)	1,429	(4,020)
Total	$ 9,155	$ 6,501	$ 15,656

	2018		
	January 1	Recognized in profit and loss	December 31
Deferred income tax assets:			
- Temporary differences:			
Tax differentials in depreciation expenses	$ 8,344	$ 2,068	$ 10,412
Unrealized exchange loss	1,555	769	2,324
Inventory allowance loss from falling price	167	98	265
Other	-	1,603	1,603
Subtotal	10,066	4,538	14,604
- Deferred income tax liabilities:			
Unrealized exchange gains	-	(5,304)	(5,304)
Other	-	(145)	(145)
Subtotal	-	(5,449)	(5,449)
Total	$ 10,066	($ 911)	$ 9,155

4. The Company's business income tax has been audited and approved by the taxation authority until the year of 2016.
5. The amendments to the Income Tax Act of Taiwan have become effective on February 7, 2018, which amendments raise the profit-seeking enterprise income tax rate from 17% to 20% and are applicable from 2018. The Group has assessed the impact on income tax from such tax rate changes.

(XXII) Earnings per share (EPS)

	2019		
	After-tax amount	Weighted average flow Number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net profit of this period attributable to the ordinary shareholders of the parent company	$ 567,643	136,262	$ 4.17
Diluted earnings per share			
Net profit of this period attributable to the ordinary shareholders of the parent company	567,643	136,262	
Impacts of dilutive potential ordinary shares			
Employee remuneration	-	1,784	
Impacts of net profits plus potential ordinary shares attributable to the ordinary shareholders of the parent company in the current period	$ 567,643	138,046	$ 4.11

	2018		
	After-tax amount	Weighted average flow Number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net profit of this period attributable to the ordinary shareholders of the parent company	$ 329,820	136,262	$ 2.42
Diluted earnings per share			
Net profit of this period attributable to the ordinary shareholders of the parent company	329,820	136,262	
Impacts of dilutive potential ordinary shares			
Employee remuneration	-	1,621	
Impacts of net profits plus potential ordinary shares attributable to the ordinary shareholders of the parent company in the current period	$ 329,820	137,883	$ 2.39

(XXIII) Operating lease

Applicable for 2018

The Group leases machinery and equipment under a business lease, the lease term of which is from 2018 and 2020, with the right to renew the lease at the end of the lease

term. Rental expenses of $188,376 were recognized as current profits and losses for the years of 2018, respectively. In addition, the total minimum future lease payments due to the non-cancelable contract are as follows:

	December 31, 2018
Less than 1 year	$ 122,151
More than 1 year but not more than 5 years	46,680
	$ 168,831

(XXIV) Additional information regarding cash flows

Investing activities with partial cash payments:

	2019	2018
Purchase of property, plant, and equipment	$ 699,647	$ 621,178
Add: payable on equipment at the beginning of period	47,404	54,812
Less: payable on equipment at the end of the period	(229,038)	(47,404)
Cash paid in the period	$ 518,013	$ 628,586

(XXV) Changes in financing liabilities

	2019			
	Leasing obligations	Long-term loans (note)	Deposit Received	Total liabilities from financing activities
January 1	$ 137,655	$ 743,269	$ 209	$ 881,133
Changes in cash flows from financing activities	(112,256)	(60,000)	5	(172,251)
Other non-cash changes:				
Interest costs	921	-	-	921
Impacts of exchange rate changes	(342)	(71)	(10)	(423)
Amortization of arranger fees	-	6,802	-	6,802
Increase of current period	2.744	-	-	2,744
December 31	$ 28,722	$ 690,000	$ 204	$ 718,926

	2018			
	Leasing obligations	Long-term loans (note)	Deposit Received	Total liabilities from financing activities
January 1	$ -	$ 995,305	$ 202	$ 995,507
Changes in cash flows from financing activities	-	(274,043)	7	(274,036)
Other non-cash changes:				
Impacts of exchange rate changes	-	12,830	-	12,830
Amortization of arranger fees	-	9,177	-	9,177
December 31	$ -	$ $ 743,269	$ 209	$ 743,478

Note: include long-term loans due within one year or one operating cycle.

VII. Related-party transactions

(I) The parent company and the ultimate controlling party

The company is controlled by Bloomeria Limited (incorporated and registered in Singapore) which owns 51.88% shares of the Company. The ultimate parent company and controller of the company is Sigurd Co., Ltd. (incorporated and registered in Taiwan, the Republic of China).

(II) Name and relation of affiliates

Name of related party	Relationship with the Group
Sigurd Microelectronics Corporation	Ultimate parent company

(III) Major transactions between related parties

1. Operating revenue

	2019	2018
Ultimate parent company	$ 1,574	$ 13,663

Income from labor service is processed according to the general transaction price and conditions, and the payment condition is 30-day monthly statement.

2. Purchase

	2019	2018
Purchase of services		
Ultimate parent company	$ 1,043	$ -

3. Receivables from related parties

	December 31, 2019	December 31, 2018
Accounts receivable		
Ultimate parent company	$ 117	$ 118

The receivables from related parties mainly come from the provision of labor services. The receivables are unsecured and non-interest bearing. There is no provision for liability reserve for the receivables from related parties.

4. Payables to related parties

	December 31, 2019	December 31, 2018
Other payables - machine rental and purchase:		
Ultimate parent company		
Other payables-processing services	$ -	$ 484
Ultimate parent company		
	$ 9	$ -

Payables to related parties are for machinery lease, purchase, and processing services provided by relates parties. These payables do not contain interest payment.

5. Property transactions

(1) Acquisition of real estate, plant, and equipment

	2019	2018
Ultimate parent company	$ 9,888	$

(2) Disposal of property, plant, and equipment:

	2019		2018	
Ultimate parent company	Disposal price	Gain (loss) from disposal	Disposal price	Gain (loss) from disposal
	$ 57,546	$ 54,492	$ 18,076	$ 7,695

6. Other transactions

		Amount of transaction	
	Accounting subject	2019	2018
Ultimate parent company	Rental receipt	$ 2,154	$ 230
	Receipt of processing services	$ 9	$ 959

(IV) Information about Remunerations to the Major Management:

	2019	2018
Short-term employee benefits	$ 34886	$ 27,826
Benefits after retirement	$ 756	$ 756
Total	$ 35,642	$ 28,582

VIII. Pledged Assets

Assets pledged as collateral by the Group are enumerated as follows:

Assets	Book value December 31, 2019	Book value December 31, 2018	Collateral purpose
Hypothecated time deposits (financial assets account measured at amortized cost - non-current)	$ 20,700	$ 19,700	Customs security
Property, plant, and equipment	-	1,271,381	Long-term loans

IX. Significant contingent liabilities and unrecognized commitments

(I) The Group has signed a five-year technical service agreement with STATS ChipPAC Ltd. on August 5, 2015, and has retained the capacity of the Group to provide STATS ChipPAC Ltd. with wafer level packaging and testing services for five years from the date of this agreement. As stipulated in the contract:

1. The Group must retain the minimum capacity for STATS ChipPAC Ltd. to provide services timely on a monthly basis; the Group shall provide the services within the range of the existing production capacity that can be adjusted, if STATS ChipPAC Ltd. placed orders that fall between the minimum production capacity and maximum production capacity; the Group is not obligated to provide the services if STATS ChipPAC Ltd.'s order exceeds the maximum capacity of the Group.
2. During the period of the contract, STATS ChipPAC Ltd. shall place an order with the Group at the agreed minimum purchase quantity for each year at the agreed price, that is, the Group may claim the balance consideration in accordance with the procedures stipulated in the contract for the part of its retained capacity that does not meet the minimum purchase quantity. If STATS ChipPAC Ltd. does not meet the minimum purchase amount, it may exercise the right to defer the minimum purchase amount by 5% to the next year, and provide consideration to the Group for any portion of the deferred purchase amount that does not meet the minimum purchase amount every 12 months from the date of signing the contract. STATS ChipPAC Ltd. may exercise the right to deferred purchase quantity only once a year, and the deferred portion may not be renewed in the following year, and the right

cannot be exercised in the last year of the contract.

3. In accordance with the agreement signed by both parties on January 2017, STATS ChipPAC Ltd. agreed to pay the Group a consideration amount of US$30,197,000 for it did not meet the minimum purchase amount for the first contract year (from the date of signing contract to August 4, 2016). The Group recognized the consideration amount as consideration income in the fourth quarter of the year 2016 and the first quarter of the year 2017, of US$15,098,000 ($487,007) and US$15,099,000 ($463,024) respectively.

4. In addition, the minimum purchase amount shall be combined in calculation and the total minimum purchase amount shall remain unchanged as agreed by both parties from the second contract year. The combined minimum purchase amount that STATS ChipPAC Ltd. shall realize for the Group for the next coming four years is as follows:

Currency: US$ 1,000

	The second year	The third year	The fourth year	The fifth year
Minimum purchase amount	$ 80,800	$ 75,100	$ 63,200	$ 51,400
Deferred amount for the second year	4,750	-	-	-
Deferred amount for the third year	(4,040)	4,040	-	-
Deferred amount for the fourth year	-	(3,755)	3,755	-
Deferred amount for the fifth year	-	-	(3,160)	3,160
	$ 81,510	$ 75,385	$ 63,795	$ 54,560

5. Both parties signed the agreement in November 2017. STATS ChipPAC Ltd. deferred 5% of the minimum purchase quantity for the second year (the second contract year is from August 5, 2016 to August 4, 2017) to the next year in accordance with the contract, and agreed to pay the Group a consideration amount of US$15,694,000 ($467,331) for it did not meet the minimum purchase amount in the second year of the contract. STATS ChipPAC Ltd. has performed payment according to the above agreement and also carried out the related purchase in the third year in accordance with the contract, therefore the Group's management believed that the payment of compensation income can almost be ascertained, thus the whole value of it was recognized as compensation income.

6. From August 5, 2017 to August 4, 2018, the amount of combined purchase performed by STATS ChipPAC Ltd. for the third contract year was US$68,555,000 and the minimum purchase amount for the third year of the agreement is deferred to the next year as agreed. The Company has claimed for the balance consideration from STATS ChipPAC Ltd., in accordance with the procedures stipulated in the contract, for it did not meet the minimum purchase amount in the third year of the contract.

In consideration of the long-term cooperative relationships of both parties, STATS ChipPAC Ltd. proposed to reconcile based on the long-term business interests. The Company also considered its business operations and judgment. The proposed settlement with STATS ChipPAC Ltd. that has been approved by the Board of Directors of the Company on September 20, 2018, is as follows:

(1) Both parties agree that the technical services agreement shall be extended for another two years (from August 5, 2020 to August 4, 2022) and the combined minimum purchase amount that STATS ChipPAC Ltd. shall perform for the Group in accordance with the future agreement shall be as follows:

		Currency: US$ 1,000
	The sixth year	The seventh year
Minimum purchase amount	$ 30,000	$ 30,000

(2) The Group reserves the capacity of US$40 million per contract year for the extended period of two years to STATS ChipPAC Ltd.

(3) If STATS ChipPAC Ltd. fails to meet the above commitment amount in the current year, the insufficient amount may be postponed to the next year.

(4) STATS ChipPAC Ltd. agrees to purchase from the Group on a preferential basis during the fourth year of contract.

(5) Based on the above commercial interests and the long-term cooperative relationship between the two parties, the Group will not claim the difference of US$6,830,000 from STATS ChipPAC Ltd., which is less than the minimum purchase amount for the third year of contract.

The said settlement after negotiated by both parties has not been concluded. Later due to the internal consideration of STATS ChipPAC Ltd., it proposed to further negotiate between both parties for the settlement. The Company resolved by the Board of Directors on March 19, 2019 to change the original settlement with ChipPAC Ltd. into STATS settlement. ChipPAC Lt agreed to pay the Group the amount of US$ 5,000,000 (NT$ 153,850,000) for the minimum purchase it failed to meet in the third contract year. Both parties signed the settlement agreement on March 27, 2019 and the compensation was received in full and recognized as compensation income.

7. In the five-year Technology Service Contract entered between the Group and STATS ChipPAC Ltd., on August 5, 2015, in the period of the fourth year (from August 5, 2018 to August 4, 2019) , STATS ChipPAC Ltd. purchased a consolidated amount of US$36, 435,000 and according to the said contract, it deferred 5% of the minimum purchase amount in the fourth contract year to the following year. The discrepancy amount that fails to meet the minimum purchase was resolved by both

parties through signing the settlement agreement on October 16, 2019. STATS ChipPAC Ltd. agreed to pay the Group US$ 20,520,000 (as the compensation. As of March 9, 2020, installments at the amount of US$ 11,000,000 have been received as settled.

8. From August 5, 2019 to December 31, 2019, STATS ChipPAC Ltd. in the fifth year period purchased a consolidated amount of US$ 22,001, 000.

(II) Capital expenditures contracted but not yet incurred

	December 31, 2019	December 31, 2018
Property, plant, and equipment	$ 47,169	$ 105,652

X. Significant losses from disasters

No.

XI. No.

XII. Material subsequent events

The company adopted the appropriation plan of net income for the year of 2018 by the Board of Directors on March 9, 2020. Please refer to Note VI(XIV) for details.

XIII. Others

(I) Financial situation

The Group's strategy in the year of 2019 remains the same as that in the year of 2018, with the aim of reducing the debt-to-capital ratio to a reasonable level of risk. As of 2019 and December 31, 2018, the Group's debt-to-capital ratios were as follows:

	December 31, 2019	December 31, 2018
Total borrowing	$ 690,000	$ 743,269
Less: cash and cash equivalent	(431,419)	(1,275,492)
Net debt	(258,581)	(532,223)
Total equity	4,888,996	4,574,411
Total capital	$ 5,147,577	$ 4,042,188
Capital and liabilities ratio	5 %	-

(II) Financial Instruments

1. Types of Financial instruments

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets measured at amortized cost		
Cash and cash equivalents	$ 431,419	$ 1,275,492
Financial assets measured at amortized cost – current	2,469,160	1,458,175
Accounts receivable	1,156,714	751,857
Accounts receivable - related parties	117	118
Other receivables	8,042	5,631
Financial assets measured at amortized cost - non-curren		
Assets - noncurrent	20,700	19,700
Other non-current assets		
Refundable Deposits	3,788	3,788
	$ 4,089,940	$ 3,514,761

	December 31, 2019	December 31, 2018
Financial liability		
Financial liabilities measured at amortized cost		
Accounts payable	$ 71,808	$ 45,925
Other payables	430,014	211,553
Other accounts payable - related parties	9	484
Long-term loans (including whose due within one year or one operating cycle)	690,000	743,269
Guarantee deposits	204	209
	$ 1,192,035	$ 1,001,440
Lease obligations (including non-current)	$ 28,723	$ -

2. Risk Management Policy

(1) The Board of Directors shall fully take the responsibilities for establishment and supervision of the risk management structure of the Group, and take the responsibilities for development and control of the risk management policies of the Group.

(2) The risk management policy of the Group is established to identify and analyze risks encountered by the Group, set appropriate risk limits and control, and supervise the compliance of risks and risk limits. Risk management policies and systems are periodically reviewed to reflect changes in market conditions and the Group's operations. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and

obligations.

(3) The Audit Committee of the Group shall supervise the management to monitor the compliance of the Group's risk management policies and procedures, and review the appropriateness of the Group's relevant management framework for the risks encountered. Internal auditors assist the Group's audit committee in a supervision role. These officers conduct review on risk management controls and procedures and report the review results to the Audit Committee.

3. Nature and degree of significant financial risks

(1) Market risk

Foreign currency risk

A. The functional currency of the Company is New Taiwan Dollar and the functional currency of the subsidiary is United States Dollar. Therefore, the information of foreign currency assets and liabilities affected by

	December 31, 2019		
	Foreign Currency (in thousands)	Exchange rate	Carrying amount (NT$)
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
US$:NT$	$ 20,257	29.98	$ 607,305
NT$:US$	679,830	0.033	679,830
Financial liability			
Monetary items			
US$:NT$	$ 2,654	29.98	$ 79,567
NT$:US$	622,047	0.033	622,047

	December 31, 2018		
	Foreign Currency (in thousands)	Exchange rate	Carrying amount (NT$)
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
US$:NT$	$ 12,077	30.715	$ 370,945
NT$:US$	670,582	0.033	670,582
Financial liability			
Monetary items			
NT$:US$	$ 543,269	0.033	$ 543,269

significant exchange rate fluctuations is as follows:

B. Functional currency items of the Group due to foreign exchange with significant impacts were recognized as disclosure of exchanges (losses) in full amount in 2019 and 2018 with the total amount of ($4,442) and

$4,740 respectively.

C. The table below illustrates assets and liabilities denominated in foreign currencies of which the values were materially affected by the exchange rate volatility:

	2019		
	Sensitivity analysis		
	Range of change	Affect the profit and loss	Affect other comprehensive income
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
US$:NT$	1%	$ 6,073	$ -
NT$:US$	1%	6,798	-
Financial liability			
Monetary items			
US$:NT$	1%	$ 796	$ -
NT$:US$	1%	6,220	-

	December 31, 2018		
	Range of change	Affect the profit and loss	Affect other comprehensive income
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
US$:NT$	1%	$ 3,709	$ -
NT$:US$	1%	6,706	-
Financial liability			
Monetary items			
NT$:US$	1%	($ 5433)	$ -

Cash flow interest rate risk and fair value interest rate risk

A. Interest rate risk of the Group mainly comes from long-term loans issued according to floating rates that expose the Group to interest rate risk of cash flow. In 2019 and 2018, loans of the Group issued according to floating rates are mainly calculated according to New Taiwan Dollars.

B. Loans of the Group are measured according to costs after amortization and values will be re-evaluated according to annual interest rates stated in contracts. Thus, the Group exposes to risk of any interest rate change in future market.

C. When any interest rate of loan increased or decreased 1% and all other factors remained unchanged, in 2019 and 2018, net profit before tax respectively reduce or increase $6,900 and $7,500 respectively mainly

due to changes of interest expenses arising according to flowing rates of loans.

(2) Credit risk

A. The Group's credit risk is the risk of financial loss to the Group due to the failure of the customer or counterparty of the financial instrument to perform its contractual obligations, which are mainly resulted from the failure of the counterparty to pay off accounts receivable payable on the terms of collection and the contractual cash flow.

B. The Group establishes credit risk management from the Group's perspective. In accordance with internally defined credit policies, risk management and credit risk analysis shall be carried out prior to the setting of terms and conditions of payment and delivery. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience, and other factors. Individual risk limits are based on internal or external ratings, and the use of credit limits is regularly monitored.

C. In accordance with the credit risk management procedures, the Group shall deem the contract to have been breached, if the counterparty fails to make payment in accordance with the agreed payment terms within a certain period.

D. The Group's categorizes customers' accounts receivable and contract assets according to the characteristics of customer ratings, using a simplified approach to estimate expected credit losses based on a reserve matrix.

E. The indicators used by the Group to determine credit impairment on debt instrument investments are as follows:

(A) The possibility of the issuer experiencing material financial difficulties or entering into bankruptcy or other financial restructuring increases;

(B) The loss of the active market for the financial assets by the issuer due to financial difficulties;

(C) Delay or non-payment of interest or principal by the issuer;

(D) Adverse changes in national or regional economic conditions that result in a default by issuer.

F. The Group mainly provides specific customers with semiconductor wafer packaging and testing services. Therefore, the Group assesses the credit risk of individual customers, adjusts loss rate according to the specific historical and current information, in consideration of future prospects, so as to estimate the loss allowance on accounts receivable.

On December 31, 2019 and December 31, 2018, as a result of assessment, the expected shortfall rates were between 0.01% and 1%.

G. Changes in loss allowance for accounts receivables using the simplified approach are as follows:

	2019
	Account receivables
January 1	$ -
Less: Impairment loss amortized	-
December 31	$ -

	2018
	Account receivables
January 1_IAS 39	$ -
Adjustments under new standards	-
January 1_IAS 39	-
Provision of impairment loss	-
December 31	$

(3) Liquidity risk

A. The details of the Group's undrawn borrowing facilities are as follows:

	December 31, 2019	December 31, 2018
Fixed interest rate		
Due within 1 year	$ 795,500	$ 860,430
Due for more than 1 year	750,000	1,699,999
	$ 1,545,500	$ 2,560,429

B. The table below analyzes 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.

December 31, 2019	Less than 6 months	Between 6 months to 1 year	Between 1 to 2 years	Between 2 to 5 years
Non-derivative financial liabilities:				
Accounts payable	$ 71,808	$ -	$ -	$ -
Other payables	430,014	-	-	-
Other payables - related parties	9	-	-	-
Leasing obligations	28,530	1,563	768	896
Deposit Received	-	-	-	204
Long-term loans (including those due within one year or one business circle)	34,618	56,837	331,803	283,438

December 31, 2018	Less than 6 months	Between 6 months to 1 year	Between 1 to 2 years	Between 2 to 5 years
Non-derivative financial liabilities:				
Accounts payable	$ 45,925	$ -	$ -	$ -
Other payables	211,553	-	-	-
Other payables - related parties	484	-	-	-
Deposit Received	-	-	-	209
Long-term loans (including those due within one year or one business circle)	36,090	80,747	248,579	407,880

(III) Fair value information:

1. The Group does not have financial instruments measured at fair value.
2. Financial tools not measured with fair values

Cash and cash equivalents, account receivables (including related parties), other account receivables (including related parties), financial assets amortized according to amortization costs, account payable (including related parties), other payables (including related parties), corporate bond payable within one year and book values of deposit guarantee of the Group are determined with approximated values based on fair values.

XIV. Additional disclosure

(I) Information about significant transactions:

1. Loans to others: no.
2. Endorsements and guarantees: Please refer to Appendix Table 1.
3. Marketable securities held (excluding investments in subsidiaries, affiliates, and jointly control identities): None
4. Accumulated to buy or sell the same marketable securities amount to NT$300 million or more than 20% of the paid-up capital: None
5. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None
6. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None
7. The amount of purchase and sales with related parties amounts to NT$100 million or more than 20% of the paid-up capital: None.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None
9. Information about the derivative financial instruments transaction: None.
10. The business relationship between the parent company and its subsidiaries and their subsidiaries, and the status and amount of important transactions: Please refer to Appendix Table 2.

(II) Information on reinvestment

Name of investee companies, location, and other relevant information (excluding investee companies in Mainland China): please refer to attached table III for details.

(III) Information on investment in mainland china

No.

XV. About operating departments

(I) General information:

There are two reporting divisions in the Group: Testing Division and Packaging Division.

(II) Measurement of segment information

The Group has apportioned its non-recurring profit and loss to the reporting department. In addition, all reported department profits and losses include significant non-cash items other than depreciation and amortization. The amount of departmental information reported is consistent with the amount used by operational decision makers. The accounting policies of the operating departments are the same as the important accounting policies of the Group. The Group's operating departments' profit and loss are measured by sales income and net profit before tax, and serve as the basis for assessing the performance of the departments.

(III) Information on segment profit or loss, and assets and liabilities

The financial information of reportable segments provided to chief operating decision maker is as follows:

2019	Testing business segment	Bumping business segment	Adjustment and elimination	Total
External revenue	$ 1,268,512	$ 1,758,498	($ 84,341)	$ 2,942,669
Depreciation and amortization expenses	$ 287,577	$ 477,803	($ 2,574)	$ 762,806
Segment Income	$ 479,404	$ 176,811	($ 599)	$ 655,616
Segment assets	$ 195,102	$ 504,545	$ -	$ 699,647

2018	Testing business segment	Bumping business segment	Adjustment and elimination	Total
External revenue	$ 1,085,489	$ 1,784,154	$ -	$ 2,869,643
Depreciation and amortization expenses	$ 174,207	$ 501,578	$ -	$ 675,785
Segment Income	$ 292,366	$ 143,474	$ -	$ 435,840
Segment assets	$ 213,448	$ 407,730	$ -	$ 621,178

December 31, 2019	Testing business segment	Bumping business segment	Adjustment and elimination	Total
Segment assets	$ 2,266,561	$ 4,227,786	($ 78,302)	$ 6,416,045

December 31, 2018	Testing business segment	Bumping business segment	Adjustment and elimination	Total
	$ 1,826,776	$ 3,972,893	($ 19,658)	$ 5,780,011

Impacts on department information in 2019 due to the adoption of IFRS 16 “Leasing” by the Group is described below:

	Testing	Bumping	Adjustment and Amortization	Total
Depreciation costs	$ 108,030	$ 3,515	($ 2,577))	$ 108,968
Department assets	$ 30,648	$ 769	($ -)	$ 31,417
Department liabilities	$ 27,928	$ 794	($ $ -)	$ 28,722

(IV) Information by product and service:

Please refer to Note VI(XV) for details.

(V) Geographical information:

The geographical information of the Group for 2019 and 2018 is as follows:

	2018		2019	
	Income	Non-current assets	Income	Non-current assets
Singapore	$ 1,957,210	$ -	$ 1,725,554	$ -
Taiwan	$ 810,690	$ 2,165,233	861,680	2,104,964
USA	$ 166,494	$ -	278,844	-
Malaysia	$ 507	$ -	412	-
Other	7,768	-	3,153	-
Total	$ 2,942,669	$ 2,165,233	$ 2,869,643	$ 2,104,964

(VI) Major customer information

Information on major customers of the Group for 2019 and 2018 is as follows:

	2019	2018
	Income	Income
Customer D	$ 2,061,752	$ 1,755,261
Customer A	341,756	447,203
	$ 2,403,508	$ 2,202,464

Winstek Semiconductor Co., Ltd. and Subsidiaries
Providing Endorsement/guarantee to Others
From January 1 to December 31, 2019

Unit: NT$1,000
(unless otherwise specified)

Table 1

Number (Note 1)	The name of the company that provides endorsement/guarantee	The object receiving endorsement/guarantee		Maximum amount of endorsement/guarantee for a single enterprise (Note 3)	Maximum balance of endorsement/guarantee for the current period (Note 4)	Balance of endorsement/guarantee at the end of current period (Note 5)	Actual amount drawn (Note 6)	Amount of endorsement/guarantee guaranteed with property	Percentage of aggregated amount of endorsement/guarantee with the net value in the most recent financial reports	Maximum amount of endorsement/guarantee (Note 3)	A parent company provides endorsement/guarantee for its subsidiary (Note 7)	A subsidiary provides endorsement/guarantee for its parent company (Note 7)	The endorsement/guarantee involves Mainland China (Note 7)	Note
		Name of company	Relationship (Note 2)											
0	Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	2	$4,888,996	$ 2,400,000	$ 900,000	$ 450,000	$ -	18%	$ 4,888,996	Y	N	N	

Note 1: The description of the number column is as follows:
(1) The issuer shall fill in 0.
(2) The investees are numbered in alphabetical order beginning with the Arabic numeral 1.

Note 2: Please indicate the relationship between the provider of endorsement/guarantee and the object of endorsement/guarantee, which can be classified into the following six categories:
(1) Companies which are doing business with each other.
(2) Companies of which the Company directly or indirectly holds more than 50% of the voting shares.
(3) Companies of which directly or indirectly hold more than 50% of the voting shares in the Company.
(4) Among companies of which the Company directly or indirectly holds more than 90% of the voting shares.
(5) Companies in the same industry that endorse/guarantee for each other due to the need to contract project; or companies which are endorsed/guaranteed mutually by the same founders under provision of contract.
(6) Companies which are endorsed/guaranteed by all shareholders based on their shareholding percentage due to joint investment.
(7) In accordance with the consumer protection law, Companies in the same industry who perform housing pre-sale contract, are jointly and severally endorsed/guaranteed.

Note 3: The total amount of the Company's external endorsement/guarantee shall not exceed 50% of the Company's most recent net value. The amount of the Company's endorsement/guarantee for a single enterprise shall not exceed 20% of the net value at the time when the company endorses/guarantees.
However, an endorsement/guarantee between the Company and among companies of which the Company directly or indirectly holds 100% of the voting shares, or other companies that the Company has agreed to purchase and upon completion will become a subsidiary of which the Company directly or indirectly holds 100% shares, and approved by a resolution of the Board of Directors, its endorsement/guarantee amount shall not be restricted by the aforesaid total amount of endorsement/guarantee and the limit of endorsement/guarantee for a single enterprise.
However, the endorsement/guarantee to a single enterprise shall not exceed 100% of the net value of the Company in its most recent financial reports audited or reviewed by CPA. In addition, the endorsement/guarantee not between the Company and among companies of which the Company directly or indirectly holds 100% voting shares,
the total cumulative amount of such external endorsements/guarantees shall not exceed 100% of the net value of the Company in its most recent financial reports audited or reviewed by CPA.

Note 4: The maximum balance of endorsement/guarantee for others in the current year.

Note 5: By the end of the year, Chu Fan Company shall undertake the obligation of endorsement/guarantee when the amount of endorsement/guarantee contract/bill signed by it to the bank is approved; Other relevant endorsements/guarantees shall be accounted in the balance of endorsements/guarantees.

Note 6: The actual amount drawn by the company endorsed/guaranteed within the balance of the endorsement/guarantee shall be filled here.

To be filled if a listed/OTC parent company provides endorsement/guarantee for its subsidiary, or if a subsidiary provides endorsement/guarantee for its listed/OTC parent company; "Y" shall be filled in if the endorsement/guarantee involves Mainland China

Winstek Semiconductor Co., Ltd. and Subsidiaries
Providing Endorsement/guarantee to Others
From January 1 to December 31, 2019

Unit: NT$1,000
(unless otherwise specified)

Table2

Serial No. (Note 1)	Name of Related Company	Counterparty	Relationship With the Counterparty (Note 2)	Transaction Nature			
				Account	Amount	Trade Terms	As a Percentage of Consolidated Revenues or Total Assets (Note 3)
0	Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	1	Revenue	$ 83,822	It is to be processed in accordance with the price and conditions agreed by both parties.	2.85%
0	Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	1	Accounts payable	$ 32,317		0.5%

Note 1: Business dealings between the parent company and subsidiaries are indicated in the serial number column. The numbering rule is explained below:
(1). 0 for parent company.
(2). Each subsidiary is numbered in sequential order starting from 1.

Note 2: Related party transactions are distinguished into one of three categories, as shown below. Only the category is indicated (no duplicate disclosure is made on two counterparties of the same transaction. For example, in a parent-to-subsidiary transaction, no disclosure is made on the subsidiary's end if disclosure has already been made on the parent company's end; in a subsidiary-to-subsidiary transaction, no disclosure is made on one subsidiary's end if disclosure has already been made on the other subsidiary):
(1). Parent to subsidiary.
(2). Subsidiary to parent.
(3). Subsidiary to subsidiary.

Note 3: Calculation for business dealings as a percentage of consolidated total revenues or total assets is explained as follows: for balance sheet items, percentage relative to total assets is calculated using end-of-period balances; for profit and loss accounts, percentage relative to total revenues is calculated using cumulative amount and cumulative total revenues.

Note 4: If the single transaction amount is for less than NT$20,000, it needs not be disclosed, and the relative transactions will no longer be disclosed.

Winstek Semiconductor Co., Ltd. and Subsidiaries
Name, Location, and Other Relevant Information of the Investee Companies (excluding Investee Companies in Mainland China)
From January 1 to December 31, 2019

Unit: NT$1,000
(unless otherwise specified)

Table 3

Name of investing company	Name of the investee company (Notes 1, 2)	Location	Main business items	Original investment amount		Holding at the end of period			Profit and loss of investee company in the current period (Note 2(2))	Investment gains and losses recognized in the current period (Note 2(3))	Note
				At the end of this period	At the end of last year	Number of shares	Ratio	Carrying amount			
Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	Taiwan	Wafer bumping and wafer level packaging services	$ 2,875,740	$ 2,875740	310,000,000	100%	$ 3,239,569	$ 165,193	$ 165,193	

Note 1: If a public company has a foreign holding company and the consolidated financial report is the main financial report according to local laws and regulations, the disclosure of information about the foreign investee may only include the relevant information of the holding company.

Note 2: In cases other than those described in Note 1, the following information shall be provided:

(1) The columns of "Name of the investee company", "Location", "Main business items", "Original investment amount" and "Shareholding at the end of period", etc., shall be filled in in order according to the reinvestment situation of the (public) company and each reinvestment situation of the investee company under direct or indirect control. The relationship between each investee company and the (public) company (if it is a subsidiary or sub-subsidiary) shall be indicated in the remarks column.

(2) In the column B of "Profit and loss of investee company in the current period", the current profit and loss amount of each investee shall be filled in.

(3) In the column B of "investment gains and losses recognized in the current period", only the recognized profit and loss amount of each directly reinvested subsidiary of this (public) Company and each investee assessed by equity method shall be filled in, and the balance is not required to be filled in. When filling in "recognized profit and loss amount of each directly reinvested subsidiary for the current period", it shall be confirmed that the amount of profit and loss of each subsidiary for the current period has included the reinvestment profit and loss that should be recognized as investment profit and loss according to provisions.