

**ChipMOS TECHNOLOGIES INC. AND  
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS**

**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT ACCOUNTANTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
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ChipMOS TECHNOLOGIES INC.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2021, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the companies that are required to be included in the consolidated financial statements of affiliates, are the same as the companies required to be included in the consolidated financial statements under International Financial Reporting Standards 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliated enterprises has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare consolidated financial statements of affiliated enterprises.

Hereby declare,

ChipMOS TECHNOLOGIES INC.

February 24, 2022

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of ChipMOS TECHNOLOGIES INC.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of ChipMOS TECHNOLOGIES INC. and its subsidiaries (the “Group”) as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent accountants, as described in the *Other matters* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

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

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Independent accountants’ responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the report of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

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

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

#### **Measuring progress towards satisfaction of performance obligation**

##### Description

Please refer to Note 4(26) to the consolidated financial statements for the accounting policies on revenue recognition; Note 5 for uncertainty of accounting estimates and assumptions of revenue recognition; and Note 6(19) for details of the revenue.

The Group's revenue is primarily generated from the assembly and testing services of high-integration and high-precision integrated circuits based on customer's specification, and is recognized based on measuring progress towards satisfaction of performance obligation during the service period. The Group recognized revenue associated with assembly services, services for Liquid Crystal Display and other Flat-Panel Display Driver Semiconductors and Bumping totaling NT\$21,500,435 thousand for the year ended December 31, 2021. Such revenue is recognized over a period of time, during which the Group satisfied its performance obligations to the customer. The Group used an input method (input costs incurred as a percentage of total expected input costs) to measure the progress towards satisfaction of performance obligation and determine the amount of related revenue. Since the measurement of the progress towards satisfaction of performance obligation is complex and subject to management's significant estimation, measuring progress towards satisfaction of performance obligation was identified as a key audit matter.

##### How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Testing the effectiveness of controls relating to accounting for revenue generated from aforementioned services, including the controls addressing the completeness and accuracy of the data utilized and the management's process to recognize and measure such revenue.
2. Validating the reasonableness of total expected input costs incurred on a testing basis relating to aforementioned services, and recalculating management's estimate of the progress towards satisfaction of performance obligation.
3. Testing the reasonableness of management's key assumptions to estimate the progress towards satisfaction of performance obligation (including utilizing data from recently completed services to



estimate the progress towards satisfaction of performance obligation for in-progress services).

### ***Other matters***

#### **Report of other independent accountants**

We did not audit the financial statements of a certain investment accounted for using the equity method which were audited by other independent accountants. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements and the information on the investee disclosed in Note 13 is based solely on the reports of the other independent accountants. The balance of this investment accounted for using the equity method amounted to NT\$304,437 thousand and NT\$250,769 thousand, constituting 0.7% and 0.7% of the consolidated total assets as of December 31, 2021 and 2020, respectively, and total net comprehensive income including the share of profit and other comprehensive income of associate accounted for using the equity method amounted to NT\$61,284 thousand and NT\$37,976 thousand, constituting 1.2% and 1.5% of the consolidated total comprehensive income for the years then ended, respectively.

#### **Parent company only financial reports**

We have audited and expressed an unmodified opinion with other matters paragraph on the parent company only financial statements of ChipMOS TECHNOLOGIES INC. as of and for the years ended December 31, 2021 and 2020.

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

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

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group’s financial reporting process.

*Independent accountants' responsibilities for the audit of the consolidated financial statements*

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

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

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



We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

*Chien-Yeh Hsu.*

Chien-Yeh Hsu

For and on behalf of PricewaterhouseCoopers, Taiwan

February 24, 2022

*Yi-Chang Liang*

Yi-Chang Liang

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



**ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

			December 31, 2021		December 31, 2020	
Assets		Notes	Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 5,906,176	14	\$ 4,113,651	12
1110	Current financial assets at fair value through profit or loss	6(2)	359,960	1	53,120	-
1136	Current financial assets at amortized cost	6(3)	29,239	-	206,482	1
1140	Current contract assets	6(19)	400,255	1	389,016	1
1150	Notes receivable, net		1,035	-	599	-
1170	Accounts receivable, net	6(4)	6,344,246	15	5,364,156	15
1200	Other receivables		86,879	-	51,436	-
1220	Current tax assets		389	-	-	-
130X	Inventories	6(5)	3,207,177	8	2,102,075	6
1410	Prepayments		149,947	-	75,568	-
11XX	Total current assets		16,485,303	39	12,356,103	35
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	-	-	10,368	-
1517	Non-current financial assets at fair value through other comprehensive income	6(6)	384,521	1	262,007	1
1535	Non-current financial assets at amortized cost	6(3) and 8	37,539	-	48,319	-
1550	Investments accounted for using equity method	6(7)	3,900,449	9	3,271,677	9
1600	Property, plant and equipment	6(8) and 8	20,111,121	47	17,994,686	51
1755	Right-of-use assets	6(9)	835,805	2	859,069	3
1840	Deferred tax assets	6(27)	180,598	1	185,691	1
1920	Refundable deposits		21,278	-	21,186	-
1990	Other non-current assets		565,970	1	71,708	-
15XX	Total non-current assets		26,037,281	61	22,724,711	65
1XXX	Total assets		\$ 42,522,584	100	\$ 35,080,814	100

(Continued)

**ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
<b>Liabilities</b>						
<b>Current liabilities</b>						
2100	Short-term bank loans	6(10)(30)	\$ 731,751	2	\$ -	-
2150	Notes payable		23	-	2,899	-
2170	Accounts payable	6(11)	1,012,391	2	966,821	3
2200	Other payables	6(12)	4,378,439	10	3,249,403	9
2230	Current tax liabilities		814,053	2	474,765	1
2250	Current provisions		4,281	-	3,463	-
2280	Current lease liabilities	6(30)	169,782	1	132,549	1
2310	Receipts in advance		-	-	10,790	-
2320	Long-term bank loans, current portion	6(13)(30) and 8	46,826	-	748,353	2
2365	Current refund liabilities		9,849	-	9,864	-
2399	Other current liabilities		14,221	-	21,059	-
21XX	<b>Total current liabilities</b>		<u>7,181,616</u>	<u>17</u>	<u>5,619,966</u>	<u>16</u>
<b>Non-current liabilities</b>						
2540	Long-term bank loans	6(13)(30) and 8	9,366,539	22	6,985,212	20
2570	Deferred tax liabilities	6(27)	261,973	1	300,179	1
2580	Non-current lease liabilities	6(30)	681,469	2	737,946	2
2630	Long-term deferred revenue		120,188	-	72,438	-
2640	Net defined benefit liability, non-current	6(14)	503,288	1	511,651	2
2645	Guarantee deposits	6(30)	21,625	-	21,670	-
25XX	<b>Total non-current liabilities</b>		<u>10,955,082</u>	<u>26</u>	<u>8,629,096</u>	<u>25</u>
2XXX	<b>Total liabilities</b>		<u>18,136,698</u>	<u>43</u>	<u>14,249,062</u>	<u>41</u>
<b>Equity</b>						
<b>Equity attributable to equity holders of the Company</b>						
	Capital stock	6(15)				
3110	Capital stock — common stock		7,272,401	17	7,272,401	21
	Capital surplus	6(16)				
3200	Capital surplus		6,064,485	14	6,059,651	17
	Retained earnings	6(17)				
3310	Legal reserve		2,070,505	5	1,837,894	5
3320	Special reserve		-	-	19,802	-
3350	Unappropriated retained earnings		8,740,451	20	5,498,370	15
	Other equity interest	6(18)				
3400	Other equity interest		238,044	1	143,634	1
31XX	<b>Equity attributable to equity holders of the Company</b>		<u>24,385,886</u>	<u>57</u>	<u>20,831,752</u>	<u>59</u>
3XXX	<b>Total equity</b>		<u>24,385,886</u>	<u>57</u>	<u>20,831,752</u>	<u>59</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	<b>Total liabilities and equity</b>		\$ 42,522,584	100	\$ 35,080,814	100

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

**ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Years ended December 31,			
			2021		2020	
Items	Notes		Amount	%	Amount	%
4000 Revenue	6(19)		\$ 27,400,035	100	\$ 23,011,381	100
5000 Cost of revenue	6(5)(25)(26)		( 20,146,057)	( 74)	( 17,979,208)	( 78)
5900 Gross profit			<u>7,253,978</u>	<u>26</u>	<u>5,032,173</u>	<u>22</u>
Operating expenses	6(25)(26)					
6100 Sales and marketing expenses			( 73,928)	-	( 56,978)	-
6200 General and administrative expenses			( 604,029)	( 2)	( 528,759)	( 2)
6300 Research and development expenses			( 1,139,219)	( 4)	( 1,015,512)	( 5)
6000 Total operating expenses			( 1,817,176)	( 6)	( 1,601,249)	( 7)
6500 Other income (expenses), net	6(20)		<u>125,587</u>	<u>-</u>	<u>135,578</u>	<u>1</u>
6900 Operating profit			<u>5,562,389</u>	<u>20</u>	<u>3,566,502</u>	<u>16</u>
Non-operating income (expenses)						
7100 Interest income	6(21)		9,980	-	27,778	-
7010 Other income	6(22)		34,496	-	21,157	-
7020 Other gains and losses	6(23)		( 65,829)	-	( 323,267)	( 1)
7050 Finance costs	6(24)		( 131,184)	-	( 171,482)	( 1)
7060 Share of gain (loss) of associates and joint ventures accounted for using equity method	6(7)		<u>625,733</u>	<u>2</u>	( 147,329)	( 1)
7000 Total non-operating income (expenses)			<u>473,196</u>	<u>2</u>	( 593,143)	( 3)
7900 Profit before income tax			6,035,585	22	2,973,359	13
7950 Income tax expense	6(27)		( 976,516)	( 3)	( 605,876)	( 3)
8200 Profit for the year			<u>\$ 5,059,069</u>	<u>19</u>	<u>\$ 2,367,483</u>	<u>10</u>
Other comprehensive income (loss)						
8311 Loss on remeasurements of defined benefit plans	6(14)		( \$ 14,999)	-	( \$ 51,990)	-
8316 Unrealized gain on valuation of equity instruments at fair value through other comprehensive income	6(6)		122,514	-	140,199	1
8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss	6(7)		28,843	-	23,143	-
8349 Income tax effect on components that will not be reclassified to profit or loss	6(27)		( 21,504)	-	( 17,642)	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss			<u>114,854</u>	<u>-</u>	<u>93,710</u>	<u>1</u>
8361 Exchange differences on translation of foreign operations	6(18)		( 24,695)	-	28,352	-
8360 Components of other comprehensive (loss) income that will be reclassified to profit or loss			( 24,695)	-	28,352	-
8300 Other comprehensive income, net of income tax			<u>\$ 90,159</u>	<u>-</u>	<u>\$ 122,062</u>	<u>1</u>
8500 Total comprehensive income for the year			<u>\$ 5,149,228</u>	<u>19</u>	<u>\$ 2,489,545</u>	<u>11</u>
9750 Earnings per share - basic	6(28)		<u>\$ 6.96</u>		<u>\$ 3.26</u>	
9850 Earnings per share - diluted	6(28)		<u>\$ 6.81</u>		<u>\$ 3.21</u>	

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



ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to equity holders of the Company							
		Retained earnings				Other equity interest			
	Notes	Capital stock— common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain on valuation of financial assets at fair value through other comprehensive income	Total equity
<u>Year 2020</u>									
Balance at January 1, 2020		\$ 7,272,401	\$ 6,059,651	\$ 1,579,478	\$ -	\$ 4,759,511	( \$ 89,682)	\$ 69,880	\$ 19,651,239
Profit for the year		-	-	-	-	2,367,483	-	-	2,367,483
Other comprehensive (loss) income		6(18)	-	-	-	( 41,374)	28,352	135,084	122,062
Total comprehensive income for the year		-	-	-	-	2,326,109	28,352	135,084	2,489,545
Appropriation of prior year’s earnings:		6(17)							
Legal reserve		-	-	258,416	-	( 258,416)	-	-	-
Special reserve		-	-	-	19,802	( 19,802)	-	-	-
Cash dividends		-	-	-	-	( 1,309,032)	-	-	( 1,309,032)
Balance at December 31, 2020		\$ 7,272,401	\$ 6,059,651	\$ 1,837,894	\$ 19,802	\$ 5,498,370	( \$ 61,330)	\$ 204,964	\$ 20,831,752
<u>Year 2021</u>									
Balance at January 1, 2021		\$ 7,272,401	\$ 6,059,651	\$ 1,837,894	\$ 19,802	\$ 5,498,370	( \$ 61,330)	\$ 204,964	\$ 20,831,752
Profit for the year		-	-	-	-	5,059,069	-	-	5,059,069
Other comprehensive (loss) income		6(18)	-	-	-	( 4,251)	( 24,695)	119,105	90,159
Total comprehensive income (loss) for the year		-	-	-	-	5,054,818	( 24,695)	119,105	5,149,228
Appropriation of prior year’s earnings:		6(17)							
Legal reserve		-	-	232,611	-	( 232,611)	-	-	-
Special reserve		-	-	-	( 19,802)	19,802	-	-	-
Cash dividends		-	-	-	-	( 1,599,928)	-	-	( 1,599,928)
Changes in associates accounted for using equity method		6(16)	-	4,834	-	-	-	-	4,834
Balance at December 31, 2021		\$ 7,272,401	\$ 6,064,485	\$ 2,070,505	\$ -	\$ 8,740,451	( \$ 86,025)	\$ 324,069	\$ 24,385,886

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

ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax		\$ 6,035,585	\$ 2,973,359
Adjustments to reconcile profit (loss)			
Depreciation expenses	6(8)(9)(25)	4,634,112	4,175,519
Expected credit losses		299	264
Interest expense	6(24)	120,998	162,400
Interest income	6(21)	( 9,980 )	( 27,778 )
Dividend income	6(22)	( 4,690 )	( 3,229 )
Share of (gain) loss of associates and joint ventures accounted for using equity method		( 625,733 )	147,329
Gain on valuation of financial assets at fair value through profit or loss	6(2)(23)	( 15,262 )	( 24,015 )
Gain on disposal of property, plant and equipment	6(20)	( 33,935 )	( 48,070 )
Gain from lease modifications	6(20)	( 891 )	-
Impairment loss on property, plant and equipment	6(8)(20)	4,843	-
Deferred income		( 12,389 )	( 10,143 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		( 290,637 )	( 28,435 )
Current contract assets		( 11,242 )	( 11,150 )
Notes receivable		( 436 )	166
Accounts receivable		( 980,380 )	( 911,521 )
Accounts receivable—related parties		-	1,045
Other receivables		( 46,089 )	13,529
Other receivables—related parties		-	4,923
Inventories		( 1,105,102 )	( 334,433 )
Prepayments		( 67,401 )	( 10,485 )
Other non-current assets		6,915	6,337
Changes in operating liabilities			
Current contract liabilities		-	( 1,231 )
Notes payable		( 2,876 )	2,899
Accounts payable		45,570	167,273
Other payables		471,766	112,151
Current provisions		818	1,465
Current refund liabilities		( 15 )	( 16,136 )
Other current liabilities		( 6,838 )	( 11,183 )
Net defined benefit liability, non-current		( 23,362 )	( 20,446 )
Cash generated from operations		8,083,648	6,310,404
Interest received		10,344	32,817
Dividend received		17,140	23,229
Interest paid		( 99,857 )	( 150,135 )
Income tax paid		( 691,566 )	( 276,079 )
Net cash generated from operating activities		7,319,709	5,940,236

(Continued)

ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31,	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in financial assets at amortized cost		\$ 188,023	( \$ 17,381 )
Acquisition of property, plant and equipment	6(29)	( 5,881,506 )	( 3,961,026 )
Proceeds from disposal of property, plant and equipment		120,586	87,107
Increase in refundable deposits		( 92 )	( 41 )
Proceeds from disposal of financial assets at fair value through profit or loss		9,427	-
Increase in other non-current assets		( 501,177 )	( 10,919 )
Increase in long-term deferred revenue		49,349	85,909
Proceeds from capital reduction of investments accounted for using equity method		-	17,000
Net cash used in investing activities		( 6,015,390 )	( 3,799,351 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
	6(30)		
Proceeds from short-term bank loans		2,195,726	151,071
Payments on short-term bank loans		( 1,463,975 )	( 151,071 )
Payments on lease liabilities		( 289,668 )	( 84,928 )
Proceeds from long-term bank loans		4,908,782	4,429,593
Payments on long-term bank loans		( 3,256,450 )	( 5,756,450 )
(Decrease) increase in guarantee deposits		( 45 )	575
Cash dividend paid	6(17)	( 1,599,928 )	( 1,309,032 )
Net cash generated from (used in) financing activities		494,442	( 2,720,242 )
Effect of foreign exchange rate changes		( 6,236 )	( 11,076 )
Net increase (decrease) in cash and cash equivalents		1,792,525	( 590,433 )
Cash and cash equivalents at beginning of year		4,113,651	4,704,084
Cash and cash equivalents at end of year		\$ 5,906,176	\$ 4,113,651

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



ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

**1. HISTORY AND ORGANIZATION**

ChipMOS TECHNOLOGIES INC. (the “Company”) was incorporated on July 28, 1997. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the research, development, manufacturing and sale of high-integration and high-precision integrated circuits and related assembly and testing services. On April 11, 2014, the Company’s shares were listed on the Taiwan Stock Exchange. On November 1, 2016, the Company’s American Depositary Shares (“ADSs”) were listed on the NASDAQ Global Select Market.

**2. THE AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying consolidated financial statements were authorized for issuance by the Board of Directors on February 24, 2022.

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board (“IASB”)</u>
Amendments to IFRS 4, “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021
Amendments to IFRS 9, International Accounting Standards (“IAS”) 39, IFRS 7, IFRS 4 and IFRS 16, “Interest Rate Benchmark Reform – Phase 2”	January 1, 2021
Amendments to IFRS 16, “Covid-19-Related Rent Concessions beyond 30 June 2021”	April 1, 2021 (Note)

Note: Early adoption from January 1, 2021 is allowed by FSC.

B. Based on the Group’s assessment, the above standards and interpretations have no significant impact on the Group’s financial position and financial performance.

(2) Effect of new, revised or amended IFRSs as endorsed by the FSC that has not yet adopted

- A. New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date issued by IASB</u>
Amendments to IFRS 3, "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IAS 16, "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37, "Onerous Contracts – Cost of Fulfilling a Contract"	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022

- B. Based on the Group's assessment, the above standards and interpretations have no significant impact on the Group's financial position and financial performance.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date issued by IASB</u>
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17, "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"	January 1, 2023
Amendments to IAS 1, "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1, "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8, "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12, "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023

- B. Based on the Group's assessment, the above standards and interpretations have no significant impact on the Group's financial position and financial performance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these accompanying consolidated financial statements are set out below. These policies have been consistently applied during the reported periods, unless otherwise stated.

(1) Statement of compliance

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

(2) Basis of preparation

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

- (a) Financial assets at fair value through profit or loss (including derivative instruments).
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities were recognized based on the net amount of pension fund assets less the present value of benefit obligation.

B. The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in a deficit balance in the non-controlling interests.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial



recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of investee	Main business	Percentage of Ownership (%)		Note
			December 31, 2021	December 31, 2020	
The Company	ChipMOS U.S.A., Inc. ("ChipMOS USA")	Marketing of semiconductors and electronic related products	100	100	
The Company	ChipMOS TECHNOLOGIES (BVI) LTD. ("ChipMOS BVI")	Holding company	100	100	
ChipMOS BVI	ChipMOS SEMICONDUCTORS (Shanghai) LTD. ("ChipMOS Shanghai")	Marketing of semiconductors and electronic related products	100	100	

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

D. Adjustments for subsidiaries with different balance sheet dates: Not applicable.

E. No significant restrictions on the ability of subsidiaries to transfer funds to parent company.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates on the trade date or measurement date. Therefore, foreign exchange differences resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation are recognized in profit or loss on the balance sheet date.

- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their exchange differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their exchange differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the initial dates of the transactions.
- (d) All foreign exchange differences are presented in the statement of comprehensive income under “Other gains and losses” by the nature of transactions.

**B. Translation of foreign operations**

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

- (a) Assets and liabilities for each balance sheet are translated at the exchange rates prevailing at the balance sheet date;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All exchange differences are recognized in other comprehensive income.

**(5) Classification of current and non-current assets and liabilities**

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

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within 12 months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than 12 months after the balance sheet date.

All assets that do not meet the above criteria are classified as non-current assets.

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

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within 12 months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be unconditionally extended to more than 12 months after the balance sheet date. Liabilities bearing terms that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All liabilities that do not meet the above criteria are classified as non-current liabilities.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value (including time deposits with less than 3 months contract period). Time deposits that meet the above definition and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive such payment is confirmed, inflow of the future economic benefits associated with the dividend is probable to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity instruments which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:  
The changes in fair value of equity instruments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as income when the right to receive such payment is confirmed, inflow of the future economic benefits associated with the dividend is probable to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The financial assets' contractual cash flows represent solely payments of principal and interest.
- B. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset have expired.

(13) Inventories

Inventories are initially recorded at standard costs. Cost is determined on a weighted-average cost basis. At the end of reporting period, the differences between actual costs and standard costs were allocated to inventories and cost of revenue based on an appropriate rate. Allocation of fixed production overheads is based on the normal operating capacity of the production facilities. Costs associated with underutilized capacity are expensed in the period that the cost occurs.

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The item by item approach is used in raw materials. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs.

(14) Investments accounted for using equity method – associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in "Capital surplus" in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of



associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- E. In the case where an associate issues new shares and the Group does not subscribe or proportionately acquire the new shares, which results in a change in the Group's ownership percentage of the associate while maintaining significant influence on the associate, then "Capital surplus" and "Investments accounted for using equity method" shall be adjusted for the increase or decrease of its share of equity interests. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes of its investment in an associate, if it loses significant influence on this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence on this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 "Accounting Policies, Change in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	5 to 51 years
Machinery and equipment	2 to 8 years
Tools	2 to 4 years
Others	2 to 6 years

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

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

Lease payments are comprised of the following:

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

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(17) Impairment of non-financial assets

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

(18) Loans

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

(19) Accounts and notes payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

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

(21) Provisions for deficiency compensation

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision arising from the passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in the current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The discount rate is determined by using the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy

benefits in exchange for the termination of employment. The Group recognizes an expense as it can no longer withdraw an offer of termination benefits, or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Income tax

- A. The income tax expense for the period comprises current and deferred tax. Income 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 income tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional income tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- F. If a change in tax rate is enacted or substantively enacted, the Group recognizes the effect of the

change immediately in the period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(24) Capital stock

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

(25) Dividends

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

(26) Revenue recognition

- A. The Group is primarily engaged in the customized assembly and testing services of high-integration and high-precision integrated circuits based on customer's specification demand to create or enhance the product. When providing assembly and testing services, the Group considers:
  - (a) Customer controls the provided raw materials and the Group receives the instruction from the customer on providing assembly and testing services and subsequent treatments.
  - (b) The Group provides assembly and testing services to create or enhance an asset which is solely provided and controlled by the customer. The Group has no right to transfer the asset for another use.

As the asset ownership belongs to the customer, who bears the significant risk and rewards and rights on the use of the asset, the Group recognizes assembly and testing service revenue based on the progress towards completion of performance obligation during the service period.

- B. The progress towards completion on assembly services, services for Liquid Crystal Display and other Flat-Panel Display Driver Semiconductors ("LCDD") and Bumping are measured by the actual input costs relative to estimate total expected input costs. The progress towards completion on testing services is measured by the actual incurred testing volume. The Group provides assembly and testing services based on customer's specification, thus, the input costs incurred to assembly and testing volume completed in testing services are not linear over the duration of these services. Customer payment on assembly and testing services is based on predetermined payment schedule. A contract asset is recognized when the Group provides services in excess of customer's payment.

(27) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants will be received. Government

grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortized to profit or loss over the estimated useful lives of the related assets using straight-line method.

(28) Operating segments

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

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

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

Critical accounting estimates and assumptions – Revenue recognition

The Group recognizes revenue from services for assembly, LCDD and Bumping based on the progress towards completion of performance obligation during the service period. The Group estimates total expected input costs based on historical experience and measures the progress towards completion by the actual input costs relative to the total expected input costs.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and petty cash	\$ 450	\$ 470
Checking accounts and demand deposits	2,683,977	2,609,421
Time deposits	<u>3,221,749</u>	<u>1,503,760</u>
	<u>\$ 5,906,176</u>	<u>\$ 4,113,651</u>

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

B. No cash and cash equivalents of the Group were pledged to others.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 339,679	\$ 46,512
Valuation adjustment	<u>20,281</u>	<u>6,608</u>
	<u>\$ 359,960</u>	<u>\$ 53,120</u>



	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current:		
Financial assets mandatorily measured at fair value through profit or loss		
Foreign partnership interests	\$ -	\$ 10,940
Valuation adjustment	-	( 572)
	<u>\$ -</u>	<u>\$ 10,368</u>

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

	<u>2021</u>	<u>2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 2,530	\$ 18,077
Listed stocks	13,673	6,608
Foreign partnership interests	( 941)	( 670)
	<u>\$ 15,262</u>	<u>\$ 24,015</u>

B. No financial assets at fair value through profit or loss were pledged to others.

C. Information relating to price risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortized cost

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current:		
Time deposits	<u>\$ 29,239</u>	<u>\$ 206,482</u>
Non-current:		
Restricted bank deposits	<u>\$ 37,539</u>	<u>\$ 48,319</u>

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

	<u>2021</u>	<u>2020</u>
Interest income	<u>\$ 1,187</u>	<u>\$ 2,206</u>

B. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group is the carrying amount at the end of each reporting period.

C. Information about the financial assets at amortized cost that were pledged to others as collateral is provided in Note 8.

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

(4) Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	\$ 6,346,156	\$ 5,365,776
Less: Loss allowance	( 1,910)	( 1,620)
	<u>\$ 6,344,246</u>	<u>\$ 5,364,156</u>

A. The Group's credit term granted to customers is 30~90 days. Receivables do not bear interest. The loss allowance is determined based on the credit quality of customers. Information relating to credit risk is provided in Note 12(2).

B. The aging analysis of accounts receivable based on past due date are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current	\$ 6,327,791	\$ 5,272,208
Within 1 month	<u>18,365</u>	<u>93,568</u>
	<u>\$ 6,346,156</u>	<u>\$ 5,365,776</u>

C. As of December 31, 2021 and 2020, accounts receivable were all from contracts with customers. And as of January 1, 2020, the balance of accounts receivable from contracts with customers was \$4,452,904.

D. Without taking into account of any collateral held or other credit enhancements, the amount that best reflects the Group's maximum exposure to credit risk in respect of the accounts receivable is the carrying amount at the end of each reporting period.

E. No accounts receivable of the Group were pledged to others.

(5) Inventories

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for impairment losses</u>	<u>Carrying amount</u>
Raw materials	<u>\$ 3,328,763</u>	<u>(\$ 121,586)</u>	<u>\$ 3,207,177</u>

  

	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Allowance for impairment losses</u>	<u>Carrying amount</u>
Raw materials	<u>\$ 2,181,890</u>	<u>(\$ 79,815)</u>	<u>\$ 2,102,075</u>

The cost of inventories recognized as an expense for the year:

	<u>2021</u>	<u>2020</u>
Cost of revenue	\$ 20,103,735	\$ 17,957,568
Loss on abandonment	552	5,323
Allowance for inventory valuation and obsolescence loss	<u>41,770</u>	<u>16,317</u>
	<u>\$ 20,146,057</u>	<u>\$ 17,979,208</u>

A. Allowance for inventory valuation and obsolescence loss was recognized due to the change in net realizable value.

B. No inventories of the Group were pledged to others.

(6) Non-current financial assets at fair value through other comprehensive income

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Designation of equity instruments		
Foreign unlisted stocks	\$ 38,534	\$ 38,534
Valuation adjustment	<u>345,987</u>	<u>223,473</u>
	<u>\$ 384,521</u>	<u>\$ 262,017</u>

- A. Based on the Group's business model, the foreign unlisted stocks held for strategic investments were elected to classify as "Financial assets at fair value through other comprehensive income". As of December 31, 2021 and 2020, the fair value of aforementioned investments is the carrying amount at the end of each reporting period.
- B. Amounts recognized in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>2021</u>	<u>2020</u>
Financial assets at fair value through other comprehensive income		
Foreign unlisted stocks	<u>\$ 122,514</u>	<u>\$ 140,199</u>

- C. No financial assets at fair value through other comprehensive income were pledged to others.
- D. Information about fair value measurement is provided in Note 12(3).

(7) Investments accounted for using equity method

<u>Associates</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
JMC ELECTRONICS CO., LTD. ("JMC")	\$ 304,437	\$ 250,769
Unimos Microelectronics (Shanghai) Co., Ltd. ("Unimos Shanghai")	<u>3,596,012</u>	<u>3,020,908</u>
	<u>\$ 3,900,449</u>	<u>\$ 3,271,677</u>

- A. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of December 31, 2021 and 2020, the carrying amount of the Group's individually immaterial associates amounted to \$3,900,449 and \$3,271,677, respectively.

	<u>2021</u>	<u>2020</u>
Profit (loss) for the year from continuing operations	\$ 625,733	(\$ 147,329)
Other comprehensive income, net of income tax	<u>28,843</u>	<u>23,143</u>
Total comprehensive income (loss)	<u>\$ 654,576</u>	<u>(\$ 124,186)</u>

- B. JMC has quoted market prices. As of December 31, 2021 and 2020, the fair value was \$468,950 and \$454,010, respectively.
- C. JMC is still recognized as investment accounted for using equity method given that the Company retains significant influence by holding one seat in JMC's Board of Directors.

(8) Property, plant and equipment

2021							
						Construction in progress and equipment to be inspected	Total
	Land	Buildings	Machinery and equipment	Tools	Others		
January 1							
Cost	\$ 452,738	\$ 11,212,129	\$ 53,246,474	\$ 5,451,547	\$ 2,185,299	\$ 639,607	\$ 73,187,794
Accumulated depreciation and impairment	-	( 7,119,843)	( 41,898,177)	( 4,499,186)	( 1,675,902)	-	( 55,193,108)
	<u>\$ 452,738</u>	<u>\$ 4,092,286</u>	<u>\$ 11,348,297</u>	<u>\$ 952,361</u>	<u>\$ 509,397</u>	<u>\$ 639,607</u>	<u>\$ 17,994,686</u>
January 1	\$ 452,738	\$ 4,092,286	\$ 11,348,297	\$ 952,361	\$ 509,397	\$ 639,607	\$ 17,994,686
Additions	-	1,345	11,829	407	189	6,538,932	6,552,702
Disposals	-	-	( 66,873)	( 9,502)	-	-	( 76,375)
Reclassifications	-	673,208	4,890,400	690,346	241,656	( 6,495,610)	-
Depreciation expenses	-	( 423,283)	( 2,896,612)	( 795,622)	( 239,515)	-	( 4,355,032)
Impairment losses	-	-	( 4,843)	-	-	-	( 4,843)
Exchange adjustment	-	-	( 13)	-	( 4)	-	( 17)
December 31	<u>\$ 452,738</u>	<u>\$ 4,343,556</u>	<u>\$ 13,282,185</u>	<u>\$ 837,990</u>	<u>\$ 511,723</u>	<u>\$ 682,929</u>	<u>\$ 20,111,121</u>
December 31							
Cost	\$ 452,738	\$ 11,877,419	\$ 57,176,339	\$ 5,574,316	\$ 2,345,204	\$ 682,929	\$ 78,108,945
Accumulated depreciation and impairment	-	( 7,533,863)	( 43,894,154)	( 4,736,326)	( 1,833,481)	-	( 57,997,824)
	<u>\$ 452,738</u>	<u>\$ 4,343,556</u>	<u>\$ 13,282,185</u>	<u>\$ 837,990</u>	<u>\$ 511,723</u>	<u>\$ 682,929</u>	<u>\$ 20,111,121</u>
2020							
						Construction in progress and equipment to be inspected	Total
	Land	Buildings	Machinery and equipment	Tools	Others		
January 1							
Cost	\$ 452,738	\$ 10,821,972	\$ 51,244,512	\$ 5,008,321	\$ 1,937,755	\$ 936,389	\$ 70,401,687
Accumulated depreciation and impairment	-	( 6,726,043)	( 40,081,391)	( 4,111,845)	( 1,502,964)	-	( 52,422,243)
	<u>\$ 452,738</u>	<u>\$ 4,095,929</u>	<u>\$ 11,163,121</u>	<u>\$ 896,476</u>	<u>\$ 434,791</u>	<u>\$ 936,389</u>	<u>\$ 17,979,444</u>
January 1	\$ 452,738	\$ 4,095,929	\$ 11,163,121	\$ 896,476	\$ 434,791	\$ 936,389	\$ 17,979,444
Additions	-	132,572	592,565	409,832	142,776	2,855,870	4,133,615
Disposals	-	-	( 8,940)	( 3,121)	( 7,297)	-	( 19,358)
Reclassifications	-	258,421	2,336,238	398,798	159,195	( 3,152,652)	-
Depreciation expenses	-	( 394,636)	( 2,734,667)	( 749,624)	( 220,066)	-	( 4,098,993)
Exchange adjustment	-	-	( 20)	-	( 2)	-	( 22)
December 31	<u>\$ 452,738</u>	<u>\$ 4,092,286</u>	<u>\$ 11,348,297</u>	<u>\$ 952,361</u>	<u>\$ 509,397</u>	<u>\$ 639,607</u>	<u>\$ 17,994,686</u>
December 31							
Cost	\$ 452,738	\$ 11,212,129	\$ 53,246,474	\$ 5,451,547	\$ 2,185,299	\$ 639,607	\$ 73,187,794
Accumulated depreciation and impairment	-	( 7,119,843)	( 41,898,177)	( 4,499,186)	( 1,675,902)	-	( 55,193,108)
	<u>\$ 452,738</u>	<u>\$ 4,092,286</u>	<u>\$ 11,348,297</u>	<u>\$ 952,361</u>	<u>\$ 509,397</u>	<u>\$ 639,607</u>	<u>\$ 17,994,686</u>

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

	<u>2021</u>	<u>2020</u>
Amount of interest capitalized	\$ 11,193	\$ 9,762
Range of the interest rates for capitalization	1.1358%	1.4909%

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

(9) Leasing arrangements — lessee

- A. The Group leases various assets, including land, buildings, machinery and equipment, and others. Lease agreements are typically made for periods of 1 to 30 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 616,458	\$ 636,261
Buildings	10,946	19,044
Machinery and equipment	204,484	203,249
Others	3,917	515
	<u>\$ 835,805</u>	<u>\$ 859,069</u>
	<u>2021</u>	<u>2020</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Land	\$ 20,486	\$ 20,938
Buildings	9,870	7,819
Machinery and equipment	247,090	46,225
Others	1,634	1,544
	<u>\$ 279,080</u>	<u>\$ 76,526</u>

- C. For the years ended December 31, 2021 and 2020, additions to right-of-use assets were \$433,768 and \$261,798, respectively.

- D. The information on profit or loss accounts relating to lease contracts is as follows:

	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 15,245	\$ 13,442
Expense on short-term lease contracts	143,791	202,782

- E. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$448,290 and \$274,727, respectively.

(10) Short-term bank loans

<u>Type of loans</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bank loans		
Unsecured bank loans	\$ 731,751	\$ -
Interest rate range	0.6604% ~ 0.7394%	-
Unused credit lines of short-term bank loans		
NT\$	\$ 2,918,249	\$ 3,251,000
US\$ (in thousands)	\$ 85,025	\$ 90,000

(11) Accounts payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable	\$ 765,403	\$ 766,805
Estimated accounts payable	246,988	200,016
	<u>\$ 1,012,391</u>	<u>\$ 966,821</u>

(12) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payable to equipment suppliers	\$ 1,816,555	\$ 1,145,359
Salaries and bonuses payable	829,762	788,720
Employees' compensation payable	673,387	332,080
Directors' remuneration payable	25,690	16,604
Pension payable	16,600	15,159
Interest payable	3,277	1,958
Other expense payable	1,013,168	949,523
	<u>\$ 4,378,439</u>	<u>\$ 3,249,403</u>



(13) Long-term bank loans

Type of loans	Period and payment term	December 31, 2021	December 31, 2020
Syndicated bank loan	Borrowing period is from May 30, 2018 to May 30, 2023; interest is repayable monthly; principal is repayable semi-annually from November 30, 2018	\$ 54,000	\$ 3,310,000
Government granted bank loans	Borrowing period is from March 11, 2020 to November 15, 2031; interest is repayable monthly; principal is repayable monthly from March 15, 2023	9,463,131	4,505,000
Less: Fee on syndicated bank loan		( 10,026)	( 17,223)
Less: Unamortized interest on government granted bank loans		( 93,740)	( 64,212)
Less: Current portion (fee included)		( 46,826)	( 748,353)
		<u>\$ 9,366,539</u>	<u>\$ 6,985,212</u>
Interest rate range		<u>0.45%~1.7895%</u>	<u>0.65%~1.7895%</u>
Unused credit lines of long-term bank loans			
NT\$		<u>\$ 8,776,868</u>	<u>\$ 11,239,000</u>

- A. On January 1, 2019, Ministry of Economic Affairs, R.O.C. (“MOEA”) implemented the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” and companies are subsidized with preferential interest loans for qualified investment projects. The Company has obtained the qualification from the MOEA, and signed loan agreements with financial institutions during January 2020 and November 2021 with the line of credit amounted to NT\$14.64 billion and terms from seven to ten years. Funding from these loans was used to invest in machineries, equipment and plant expansions and broaden the Company’s working capital.
- B. On May 15, 2018, the Company entered into a syndicated loan with eleven banks in Taiwan, including Taiwan Cooperative Bank, in the amount of NT\$12 billion with a term of five years. Funding from this syndicated loan was used to repay the existing debt of financial institutions and broaden the Company’s working capital. Pursuant to the syndicated loan agreement, the Group is required to maintain certain financial ratios including current ratio, interest protection multiples and debt to equity ratio during the loan periods.
- C. Information about the items that are pledged to others as collaterals for long-term bank loans is provided in Note 8.

(14) Pensions

A. Defined Benefit Plans

The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act

on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the pension fund deposited with the Bank of Taiwan, the trustee, under the name of the independent pension fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by March of following year.

(a) The amounts recognized in the balance sheets are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	(\$ 959,677)	(\$ 943,391)
Fair value of plan assets	<u>456,389</u>	<u>431,740</u>
Net defined benefit liability	<u>(\$ 503,288)</u>	<u>(\$ 511,651)</u>

(b) Movements in net defined benefit liability are as follows:

	<u>2021</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
January 1	(\$ 943,391)	\$ 431,740	(\$ 511,651)
Current services cost	( 237)	-	( 237)
Interest (expense) income	( 4,629)	2,137	( 2,492)
	<u>( 948,257)</u>	<u>433,877</u>	<u>( 514,380)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	5,613	5,613
Impact on changes in demographic assumptions	( 20,022)	-	( 20,022)
Financial assumption movement effect	23,757	-	23,757
Experience adjustments	<u>( 24,347)</u>	<u>-</u>	<u>( 24,347)</u>
	<u>( 20,612)</u>	<u>5,613</u>	<u>( 14,999)</u>
Pension fund contribution	-	26,091	26,091
Paid pension	<u>9,192</u>	<u>( 9,192)</u>	<u>-</u>
December 31	<u>(\$ 959,677)</u>	<u>\$ 456,389</u>	<u>(\$ 503,288)</u>

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1	(\$ 901,159)	\$ 421,052	(\$ 480,107)
Current services cost	( 263)	-	( 263)
Interest (expense) income	( 8,835)	4,171	( 4,664)
	( 910,257)	425,223	( 485,034)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	12,568	12,568
Financial assumption movement effect	( 57,180)	-	( 57,180)
Experience adjustments	( 7,378)	-	( 7,378)
	( 64,558)	12,568	( 51,990)
Pension fund contribution	-	25,373	25,373
Paid pension	31,424	( 31,424)	-
December 31	(\$ 943,391)	\$ 431,740	(\$ 511,651)

(c) The Bank of Taiwan was commissioned to manage the fund of the Company's defined benefit pension plan in accordance with the fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the authority. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of the fair value of plan asset in accordance with IAS 19 "Employee Benefits" paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	2021	2020
Discount rate	0.70%	0.50%
Future salary increase	3.50%	3.50%

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

The present value of defined benefit obligations is affected by the change in actuarial assumption. The analysis was as follows:

	Discount rate		Future salary increase	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2021				
Effect on present value of defined benefit obligations	(\$ 28,574)	\$ 29,825	\$ 53,653	(\$ 5,052)
December 31, 2020				
Effect on present value of defined benefit obligations	(\$ 29,114)	\$ 30,434	\$ 29,471	(\$ 28,365)

The sensitivity analysis above is based on a change in an assumption while holding all other assumptions constant. In practice, changes in some of the assumptions may be correlated. The method of sensitivity analysis and the method of calculating net defined benefit liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis remain unchanged from previous period.

- (e) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2022 amounts to \$27,005.
- (f) As of December 31, 2021, the weighted average duration of that retirement plan is 12.2 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	36,762
1-2 years		36,346
2-5 years		126,806
5-10 years		<u>178,998</u>
	\$	<u>378,912</u>

#### B. Defined Contribution Plans

- (a) Effective from July 1, 2005, the Company established a defined contribution pension plan (“New Plan”) under the Labor Pension Act, covering all regular employees with Republic of China (“R.O.C.”) nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020 were \$197,076 and \$184,562, respectively.

- (b) According to the defined contribution pension plan stipulated by the People's Republic of China("P.R.C."), ChipMOS Shanghai contributes monthly on amount based on a certain percentage of the local employees' monthly salaries and wages. The contribution percentage were both 16% for the years ended December 31, 2021 and 2020. The pension of each employee is managed by the government and ChipMOS Shanghai has no further obligations except the monthly contribution. The pension costs under defined contribution pension plan of ChipMOS Shanghai for the years ended December 31, 2021 and 2020 were \$209 and \$0, respectively.

(15) Capital stock

- A. As of December 31, 2021, the Company's authorized capital was \$9,700,000, consisting of 970,000 thousand ordinary shares, and the paid-in capital was \$7,272,401 with a par value of \$10 (in dollars) per share, consisting of 727,240 thousand ordinary shares. All proceeds from shares issued have been collected.
- B. As of December 31, 2021, the outstanding ADSs were approximately 4,586,252 units representing 91,725 thousand ordinary shares and each ADS represents 20 ordinary shares of the Company. The major terms and conditions of the ADSs are summarized as follows:
- (a) Voting rights:
- ADS holders have no right to directly vote in shareholders' meetings with respect to the deposited shares. The depository bank shall vote on behalf of ADS holders or provide voting instruction to the designated person of the Company. The depository bank shall vote in the manner as instructed by ADS holders.
- (b) Distribution of dividends:
- ADS holders are deemed to have the same rights as holders of ordinary shares with respect to the distribution of dividends.
- C. The number of the Company's ordinary shares outstanding as of January 1 and December 31 of 2021 and 2020 were all 727,240 thousand shares, respectively.

(16) Capital surplus

Pursuant to the R.O.C. Company Act, any capital surplus arising from paid-in capital in excess of par value on issuance of ordinary shares and donations can be used to cover accumulated deficits or to issue new shares or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficits. Furthermore, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above may not exceed 10% of the paid-in capital each year. The capital surplus may not be used to cover accumulated deficits unless the legal reserve is insufficient.

	2021			
	Share premium	Employee restricted shares	Long-term investment	Total
January 1	\$ 6,043,483	\$ -	\$ 16,168	\$6,059,651
Changes in associates accounted for using equity method	-	-	4,834	4,834
December 31	<u>\$ 6,043,483</u>	<u>\$ -</u>	<u>\$ 21,002</u>	<u>\$6,064,485</u>

	2020			
	Share premium	Employee restricted shares	Long-term investment	Total
January 1	\$ 5,674,242	\$ 369,241	\$ 16,168	\$6,059,651
Reclassifications	369,241	( 369,241)	-	-
December 31	<u>\$ 6,043,483</u>	<u>\$ -</u>	<u>\$ 16,168</u>	<u>\$6,059,651</u>

(17) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as a legal reserve. The Company may then appropriate or reverse a certain amount as special reserve according to the relevant regulations. After the distribution of earnings, the remaining earnings and prior years' unappropriated retained earnings may be appropriated according to a proposal by the Board of Directors and approved in the shareholders' meeting.
- B. The Company's dividend policy is summarized here. As the Company operates in a volatile business environment, the issuance of dividends to be distributed takes into consideration the Company's financial structure, operating results and future expansion plans. The earnings distribution of the Company may be made by way of cash dividends or stock dividends, provided that cash dividends account for at least 10% of the total dividends distributed. The earnings distribution will be proposed by the Board of Directors and approved at the shareholders' meeting.
- C. Except for covering accumulated deficits or issuing new shares or cash to shareholders in proportion to their share ownership, the legal reserve may not be used for any other purpose. The use of the legal reserve for the issuance of shares or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company must set aside a special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When the debit balance on other equity items is reversed subsequently, the reversed amount may be included in the distributable earnings.



E. The appropriations of 2020 and 2019 earnings were resolved in the shareholders' meeting held on July 12, 2021 and June 9, 2020, respectively. The appropriations and dividends per share are as follows:

	2020		2019	
	Amount	Cash distribution per share (in dollars)	Amount	Cash distribution per share (in dollars)
Legal reserve	\$ 232,611		\$ 258,416	
Special reserve	( 19,802)		19,802	
Cash dividend	1,599,928	\$ 2.20	1,309,032	\$ 1.80

(18) Other equity interest

	2021		
	Financial statements translation differences of foreign operations	Unrealized gain (loss) on valuation of financial assets at fair value through other comprehensive income	Total
January 1	(\$ 61,330)	\$ 204,964	\$ 143,634
Currency translation differences			
- The Company	( 24,695)	-	( 24,695)
Evaluation adjustment			
- The Company	-	122,514	122,514
- Associates	-	21,094	21,094
Evaluation adjustment related tax			
- The Company	-	( 24,503)	( 24,503)
December 31	(\$ 86,025)	\$ 324,069	\$ 238,044

  

	2020		
	Financial statements translation differences of foreign operations	Unrealized gain (loss) on valuation of financial assets at fair value through other comprehensive income	Total
January 1	(\$ 89,682)	\$ 69,880	(\$ 19,802)
Currency translation differences			
- The Company	28,352	-	28,352
Evaluation adjustment			
- The Company	-	140,199	140,199
- Associates	-	22,925	22,925
Evaluation adjustment related tax			
- The Company	-	( 28,040)	( 28,040)
December 31	(\$ 61,330)	\$ 204,964	\$ 143,634

(19) Revenue

	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers	\$ <u>27,400,035</u>	\$ <u>23,011,381</u>

A. The Group is primarily engaged in the assembly and testing services on high-integration and high-precision integrated circuits, and recognized revenue based on the progress towards completion of performance obligation during the service period. Information on revenue disaggregation is provided in Note 14.

B. Contract assets and liabilities

The Group has recognized the following contract assets and liabilities in relation to revenue from contracts with customers:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract assets	\$ <u>400,255</u>	\$ <u>389,016</u>	\$ <u>377,869</u>
Contract liabilities			
(Advance payments)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,231</u>

C. The information relating to loss allowance for contract assets is provided in Note 12(2).

D. Revenue recognized for the years ended December 31, 2021 and 2020 amounted to \$0 and \$565, respectively, was related to carried forward contract liabilities for performance obligations not satisfied in prior year.

E. All of the service contracts are for periods of one year or less. As permitted under IFRS 15, “Revenue from Contracts with Customers”, the transaction price allocated to these unsatisfied contracts is not disclosed.

(20) Other income (expenses), net

	<u>2021</u>	<u>2020</u>
Gain on disposal of scrapped materials	\$ 52,254	\$ 51,077
Royalty income	907	2,962
Gain on disposal of items purchased on behalf of others	21,945	30,140
Gain on disposal of property, plant and equipment	33,935	48,070
Impairment loss on property, plant and equipment	( 4,843)	-
Gains from lease modifications	891	-
Others	<u>20,498</u>	<u>3,329</u>
	\$ <u>125,587</u>	\$ <u>135,578</u>

(21) Interest income

	<u>2021</u>	<u>2020</u>
Bank deposits	\$ 8,772	\$ 25,547
Financial assets at amortized cost	1,187	2,206
Other interest income	<u>21</u>	<u>25</u>
	\$ <u>9,980</u>	\$ <u>27,778</u>

(22) Other income

	<u>2021</u>	<u>2020</u>
Rental income	\$ 17,326	\$ 10,260
Dividend income	4,690	3,229
Grant income	12,480	7,668
	<u>\$ 34,496</u>	<u>\$ 21,157</u>

(23) Other gains and losses

	<u>2021</u>	<u>2020</u>
Foreign exchange losses, net	(\$ 89,152)	(\$ 355,255)
Reimbursement of ADSs service charge	2,284	2,101
Gain on valuation of financial assets at fair value through profit or loss	15,262	24,015
Compensation income	1,524	-
Others	4,253	5,872
	<u>(\$ 65,829)</u>	<u>(\$ 323,267)</u>

(24) Finance costs

	<u>2021</u>	<u>2020</u>
Interest expense		
Bank loans	\$ 116,946	\$ 158,720
Lease liabilities	15,245	13,442
Less: Amounts capitalized in qualifying assets	( 11,193)	( 9,762)
	120,998	162,400
Finance expense	10,186	9,082
	<u>\$ 131,184</u>	<u>\$ 171,482</u>

(25) Expenses by nature

	<u>2021</u>	<u>2020</u>
Raw materials and supplies used	\$ 5,518,145	\$ 4,708,493
Employee benefit expenses	6,757,888	6,010,227
Depreciation expenses	4,634,112	4,175,519
Others	5,053,088	4,686,218
	<u>\$ 21,963,233</u>	<u>\$ 19,580,457</u>

(26) Employee benefit expenses

	<u>2021</u>	<u>2020</u>
Salaries	\$ 5,632,219	\$ 4,937,591
Directors' remuneration	40,164	28,229
Labor and health insurance	424,901	396,796
Pension	200,014	189,489
Other personnel expenses	460,590	458,122
	<u>\$ 6,757,888</u>	<u>\$ 6,010,227</u>

- A. In accordance with the Company's Articles of Incorporation, employees' compensation is based on the current year's earnings, which should first be used to cover accumulated deficits, if any, and then 10% of the remaining balance distributed as employees' compensation, including distributions to certain qualifying employees in affiliate companies, and no more than 0.5% as directors' remuneration. Subject to the Board of Directors' approval, employees' compensation may be made by way of cash or share issuance. Distribution of employees' compensation and directors' remuneration shall be presented and reported in the subsequent shareholders' meeting.
- B. Based on profit distributable as of the end of reporting period, for the years ended December 31, 2021 and 2020, the employees' compensation were accrued at \$673,387 and \$332,080, respectively; the directors' remuneration were accrued at \$25,690 and \$16,604, respectively.
- C. For the year of 2020, employees' compensation and directors' remuneration recognized were consistent with the amounts resolved in the Board of Directors' meeting.
- Information about the appropriation of employees' compensation and directors' remuneration by the Company as approved by the Board of Directors is posted in the Market Observation Post System ("MOPS").

(27) Income tax expense

A. Income tax expense

(a) Components of income tax expense:

	<u>2021</u>	<u>2020</u>
Current income tax:		
Current income tax on profits for the period	\$ 1,109,752	\$ 636,876
Prior year income tax overestimation	( 78,619)	( 16,763)
Total current income tax	<u>1,031,133</u>	<u>620,113</u>
Deferred income tax:		
Relating to origination and reversal of temporary differences	( 54,617)	( 14,237)
Income tax expense	<u>\$ 976,516</u>	<u>\$ 605,876</u>

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

	<u>2021</u>	<u>2020</u>
Unrealized gain on valuation of financial assets at fair value through other comprehensive income	\$ 24,503	\$ 28,040
Remeasurement of defined benefit obligations	( 2,999)	( 10,398)
	<u>\$ 21,504</u>	<u>\$ 17,642</u>

B. Reconciliation of income tax expense and the accounting profit:

	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 1,207,605	\$ 595,258
Effects from adjustments based on regulation	( 152,618)	26,974
Temporary difference not recognized as deferred tax assets	-	( 4)
Prior year income tax overestimation	( 78,619)	( 16,763)
Effect of different tax rates in countries in which the Group operates	148	411
Income tax expense	<u>\$ 976,516</u>	<u>\$ 605,876</u>

C. The amounts of deferred tax assets or liabilities resulting from temporary differences and investment tax credits are as follows:

	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<u>Deferred tax assets</u>				
Loss on inventories	\$ 15,963	\$ 8,354	\$ -	\$ 24,317
Property, plant and equipment	36,401	235	-	36,636
Provisions	2,678	171	-	2,849
Deferred revenue	21,144	( 6,506)	-	14,638
Net defined benefit liability	98,921	( 4,672)	2,999	97,248
Unrealized exchange losses	9,915	( 7,754)	-	2,161
Others	669	2,080	-	2,749
Total	<u>\$ 185,691</u>	<u>(\$ 8,092)</u>	<u>\$ 2,999</u>	<u>\$ 180,598</u>
<u>Deferred tax liabilities</u>				
Property, plant and equipment	(\$ 255,484)	\$ 62,797	\$ -	(\$ 192,687)
Financial assets at fair value through other comprehensive income	( 44,695)	-	( 24,503)	( 69,198)
Others	-	( 88)	-	( 88)
Total	<u>(\$ 300,179)</u>	<u>\$ 62,709</u>	<u>(\$ 24,503)</u>	<u>(\$ 261,973)</u>
Information presented on balance sheets:				
Deferred tax assets	<u>\$ 185,691</u>			<u>\$ 180,598</u>
Deferred tax liabilities	<u>(\$ 300,179)</u>			<u>(\$ 261,973)</u>

2020				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<u>Deferred tax assets</u>				
Loss on inventories	\$ 12,700	\$ 3,263	\$ -	\$ 15,963
Property, plant and equipment	38,668	( 2,267)	-	36,401
Provisions	5,600	( 2,922)	-	2,678
Deferred revenue	27,650	( 6,506)	-	21,144
Net defined benefit liability	92,612	( 4,089)	10,398	98,921
Unrealized exchange losses	17,296	( 7,381)	-	9,915
Others	26	643	-	669
Total	<u>\$ 194,552</u>	<u>(\$ 19,259)</u>	<u>\$ 10,398</u>	<u>\$ 185,691</u>
<u>Deferred tax liabilities</u>				
Property, plant and equipment	(\$ 288,980)	\$ 33,496	\$ -	(\$ 255,484)
Financial assets at fair value through other comprehensive income	( 16,655)	-	( 28,040)	( 44,695)
Total	<u>(\$ 305,635)</u>	<u>\$ 33,496</u>	<u>(\$ 28,040)</u>	<u>(\$ 300,179)</u>
Information presented on balance sheets:				
Deferred tax assets	<u>\$ 194,552</u>			<u>\$ 185,691</u>
Deferred tax liabilities	<u>(\$ 305,635)</u>			<u>(\$ 300,179)</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary differences	<u>\$ 371,133</u>	<u>\$ 946,236</u>

- E. The Company has not recognized taxable temporary differences associated with investments as deferred tax liabilities. As of December 31, 2021 and 2020, the amounts of temporary differences not recognized as deferred tax liability were \$609,709 and \$45,005, respectively.
- F. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.
- G. On October 31, 2016, the Company merged with its former parent company, ChipMOS TECHNOLOGIES (Bermuda) LTD. And as a result, the Company recognized its own shares originally held by former parent company as treasury stock. Subsequently, the Company deducted unappropriated retained earnings by \$5,052,343 to reflect the loss due from the cancellation of treasury stock. In January 2017, the Company has filed an application to the National Taxation Bureau of the Northern Area, Ministry of Finance to apply the accumulated deficit amount, as a deduction in the calculation of years 2016 and 2015 additional 10% tax on unappropriated retained earnings. In April and June 2020, the Company received the Notice for Assessment of Tax for the years 2016 and 2015 from the National Taxation Bureau of the Northern Area, Ministry of Finance, and is entitled to tax refund amounted to \$138,941.

(28) Earnings per share

2021			
	Amount after income tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to equity holders of the Company	<u>\$ 5,059,069</u>	<u>727,240</u>	<u>\$ 6.96</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation		<u>15,618</u>	
Profit attributable to equity holders of the Company	<u>\$ 5,059,069</u>	<u>742,858</u>	<u>\$ 6.81</u>
2020			
	Amount after income tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to equity holders of the Company	<u>\$ 2,367,483</u>	<u>727,240</u>	<u>\$ 3.26</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation		<u>9,668</u>	
Profit attributable to equity holders of the Company	<u>\$ 2,367,483</u>	<u>736,908</u>	<u>\$ 3.21</u>

(29) Supplemental cash flow information

Partial cash paid for investing activities

Property, plant and equipment

	2021	2020
Purchase of property, plant and equipment	\$ 6,552,702	\$ 4,133,615
Add: Beginning balance of payable on equipment	1,145,359	972,770
Less: Ending balance of payable on equipment	(1,816,555)	(1,145,359)
Cash paid during the year	<u>\$ 5,881,506</u>	<u>\$ 3,961,026</u>



(30) Changes in liabilities from financing activities

	2021				
	<u>Short-term bank loans</u>	<u>Long-term bank loans (including current portion)</u>	<u>Guarantee deposits</u>	<u>Lease liabilities</u>	<u>Total liabilities from financing activities</u>
January 1	\$ -	\$ 7,733,565	\$ 21,670	\$ 870,495	\$ 8,625,730
Changes in cash flow from financing activities	731,751	1,652,332	( 45)	( 289,668)	2,094,370
Adjustment of right-of-use assets	-	-	-	255,179	255,179
Amortization of loan fees	-	7,646	-	-	7,646
Amortization of interest expense	-	19,822	-	15,245	35,067
December 31	<u>\$ 731,751</u>	<u>\$ 9,413,365</u>	<u>\$ 21,625</u>	<u>\$ 851,251</u>	<u>\$ 11,017,992</u>
	2020				
	<u>Short-term bank loans</u>	<u>Long-term bank loans (including current portion)</u>	<u>Guarantee deposits</u>	<u>Lease liabilities</u>	<u>Total liabilities from financing activities</u>
January 1	\$ -	\$ 9,041,645	\$ 1,095	\$ 692,951	\$ 9,735,691
Changes in cash flow from financing activities	-	( 1,326,857)	575	( 84,928)	( 1,411,210)
Adjustment of right-of-use assets	-	-	-	249,030	249,030
Reclassification	-	-	20,000	-	20,000
Amortization of loan fees	-	7,581	-	-	7,581
Amortization of interest expense	-	11,196	-	13,442	24,638
December 31	<u>\$ -</u>	<u>\$ 7,733,565</u>	<u>\$ 21,670</u>	<u>\$ 870,495</u>	<u>\$ 8,625,730</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Parent and ultimate controlling party

The Company has neither a parent company nor an ultimate controlling party. The transactions between the Company and its subsidiaries were eliminated in the accompanying consolidated financial statements and were not disclosed herein. The transactions between the Group and other related parties are as follows.

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

<u>Name</u>	<u>Relationship</u>
Unimos Shanghai	Associate
JMC	Associate

### (3) Significant related party transactions

None.

### (4) Key management personnel compensation

	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 243,405	\$ 186,854
Post-employment compensation	2,156	4,258
	<u>\$ 245,561</u>	<u>\$ 191,112</u>

## 8. PLEDGED ASSETS

<u>Assets</u>	<u>Purpose</u>	<u>Carrying amount</u>	
		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current financial assets at amortized cost	Lease and bank loan	\$ 37,539	\$ 48,319
Property, plant and equipment			
- Land	Bank loan	452,738	452,738
- Buildings	Bank loan	4,343,556	4,092,287
- Machinery and equipment	Bank loan	8,245,561	6,912,544
		<u>\$ 13,079,394</u>	<u>\$ 11,505,888</u>

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) A letter of guarantee was issued by the financial institutions to the Customs Administration of the Ministry of Finance for making payment of customs-duty deposits when importing. As of December 31, 2021 and 2020, the amounts guaranteed by the financial institutions were \$137,700 and \$99,000, respectively.

(2) Capital expenditures that are contracted for, but not provided for, are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	<u>\$ 2,629,129</u>	<u>\$ 2,331,041</u>

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

## 12. OTHERS

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the liabilities to assets ratio. Total capital is shown as "Equity" in the consolidated balance sheet, which is also equal to total assets minus total liabilities.

The liabilities to assets ratio at December 31, 2021 and 2020 were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	\$ 18,136,698	\$ 14,249,062
Total assets	<u>42,522,584</u>	<u>35,080,814</u>
Liabilities to assets ratio	<u>42.65%</u>	<u>40.62%</u>

### (2) Financial instruments

#### A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 359,960	\$ 63,488
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	384,521	262,007
Financial assets at amortized cost		
Cash and cash equivalents	5,906,176	4,113,651
Financial assets at amortized cost	66,778	254,801
Notes receivable	1,035	599
Accounts receivable	6,344,246	5,364,156
Other receivables	86,879	51,436
Refundable deposits	21,278	21,186
	<u>\$ 13,170,873</u>	<u>\$ 10,131,324</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term bank loans	\$ 731,751	\$ -
Notes payable	23	2,899
Accounts payable	1,012,391	966,821
Other payables	4,378,439	3,249,403
Long-term bank loans (including current portion)	9,413,365	7,733,565
Lease liabilities (including current portion)	851,251	870,495
Guarantee deposits	21,625	21,670
	<u>\$ 16,408,845</u>	<u>\$ 12,844,853</u>

## B. Risk management policies

- (a) The Group's risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures, and manages such risks by its policies and preferences.
- (b) The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial transactions, a due approval process must be carried out by the Board of Directors based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.
- (c) In order to minimize and manage financial risks, the Group's overall risk management program focuses on analyzing, identifying, and evaluating financial risk factors that may potentially have adverse effects on the Group's financial position, and provide feasible solutions to avoid those factors.

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

### (a) Market risk

The Group's market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise foreign currency risk, interest rate risk, and other price risks.

In practice, the risk variable rarely changes individually, and the change of each risk variable is usually correlative. The following sensitivity analysis did not consider the interaction of each risk variable.

#### Foreign exchange risk

- i. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Company's and its subsidiaries' functional currency) and the Group's net investments in foreign operations.
- ii. The Group applies natural hedges by using accounts receivable and accounts payable denominated in the same currency. However, this natural hedge does not concur with the requirement for hedge accounting. Furthermore, as net investments in foreign operations are for strategic purposes, they are not hedged by the Group.
- iii. The Group's foreign currency exposure gives rise to market risks associated with exchange rate movements against the NT dollar for cash and cash equivalents, accounts receivable, other receivables, bank loans, accounts payable and other payables.

- iv. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2021		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 188,143	27.6800	\$ 5,207,798
JPY:NTD	141,523	0.2405	34,036
RMB:NTD	4,944	4.3440	21,477
<u>Non-monetary items</u>			
JPY:NTD	1,598,839	0.2405	384,521
RMB:NTD	827,811	4.3440	3,596,012
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 53,042	27.6800	\$ 1,468,203
JPY:NTD	1,089,668	0.2405	262,005

	December 31, 2020		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 175,840	28.4800	\$ 5,007,923
JPY:NTD	137,635	0.2763	38,029
RMB:NTD	6,838	4.3770	29,930
<u>Non-monetary items</u>			
JPY:NTD	948,270	0.2763	262,007
RMB:NTD	690,178	4.3770	3,020,908
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 26,410	28.4800	\$ 752,157
JPY:NTD	1,538,241	0.2763	425,016

- v. The total exchange losses, including realized and unrealized losses arising from significant foreign exchange variations on monetary items held by the Group for the years ended December 31, 2021 and 2020, amounted to \$89,152 and \$355,255, respectively.

- vi. Analysis of foreign currency market risk arising from significant foreign exchange variations:

2021			
Sensitivity analysis			
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	5%	\$ 260,390	\$ -
JPY:NTD	5%	1,702	-
RMB:NTD	5%	1,074	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	5%	\$ 73,410	\$ -
JPY:NTD	5%	13,103	-
2020			
Sensitivity analysis			
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	5%	\$ 250,396	\$ -
JPY:NTD	5%	1,901	-
RMB:NTD	5%	1,497	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	5%	\$ 37,608	\$ -
JPY:NTD	5%	21,251	-

#### Price risk

- i. The Group's financial instruments, which are exposed to price risk, are the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in financial instruments, the Group diversifies its portfolio. Diversification of the portfolio is in accordance with the limits set by the Group.
- ii. The Group invests in beneficiary certificates and listed stocks issued by the domestic companies. The prices of equity securities would change due to change of the future value of investee companies. For the years ended December 31, 2021 and 2020, it is estimated that the prices of equity securities increase or decrease by 1%, with all other variables

held constant, would increase or decrease the Group's profit before income tax by \$3,600 and \$531, respectively.

- iii. The Group's investments in financial instruments comprise foreign unlisted stocks and partnership. The prices of financial instruments would change due to different valuation models and assumptions used. Analysis related to the effect on profit or other comprehensive income if these assumptions change is provided in Note 12(3)G.

Interest rate risk on cash flow and fair value

- i. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate bank loans. The Group reassesses the hedge management periodically to make sure it complies with the cost effectiveness.
- ii. The sensitivity analysis depends on the exposure of interest rate risk at the end of the reporting period.
- iii. Analysis of debt with floating interest rates is based on the assumption that the outstanding debt at the end of the reporting period is outstanding throughout the period. The degree of variation the Group used to report to internal management is increase or decrease of 1% in interest rates which is assessed as the reasonable degree of variation by the management.
- iv. For the years ended December 31, 2021 and 2020, it is estimated that a general increase or decrease of 1% in interest rates, with all other variables held constant, would decrease or increase the Group's profit before income tax approximately by \$102,489 and \$78,150, respectively, mainly due to the Group's floating rate on bank loans.

(b) Credit risk

- i. Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss, mainly resulted from its operating activities (primarily notes and accounts receivable) and from its financing activities (primarily deposits with banks and financial instruments). The Group is exposed to credit risk arising from the carrying amount of the financial assets recognized in the consolidated balance sheet.
- ii. Each business unit performs ongoing credit evaluations of its debtors' financial conditions according to the Group's established policies, procedures and controls relating to customer credit risk management. The Group maintains an account for loss allowance based upon the available facts and circumstances, history of collection and write-off experiences of all trade and other receivables which consequently minimize the Group's exposure to bad debts.
- iii. Credit risk from balances with banks and financial institutions is managed by the Group's finance unit in accordance with the Group's policies. Transaction counterparty of the Group is determined through its internal controls policy. For banks and financial

institutions, only parties rated above BBB+ by Taiwan Ratings are accepted. The probability of counterparty default is remote, so there is no significant credit risk.

- iv. The Group adopts the assumptions under IFRS 9 “Financial Instruments” and the default is deemed to have occurred when the contract payments are past due over 90 days.
- v. The Group categorized contract assets, accounts receivable and other receivables by characteristics of credit risk and applied the simplified approach using loss rate methodology to estimate expected credit loss.
- vi. The Group referred to the forecastability of business monitoring indicators published by the National Development Council to adjust the loss rate which is based on historical and current information when assessing the future default possibility of contract assets, accounts receivable and other receivables. As of December 31, 2021 and 2020, the loss rate methodologies are as follows:

	December 31, 2021		
	Contract assets	Accounts receivable (including related parties)	Other receivables (including related parties)
Expected loss rate	0.030%	0.030%	0.030%
Total carrying amount	\$ 400,375	\$ 6,346,156	\$ 86,895
Loss allowance	( \$ 120 )	( \$ 1,910 )	( \$ 16 )

	December 31, 2020		
	Contract assets	Accounts receivable (including related parties)	Other receivables (including related parties)
Expected loss rate	0.030%	0.030%	0.030%
Total carrying amount	\$ 389,133	\$ 5,365,776	\$ 51,446
Loss allowance	( \$ 117 )	( \$ 1,620 )	( \$ 10 )

- vii. Under the simplified approach, movements in relation to loss allowance for contract assets, accounts receivable, and other receivables are as follows:

	2021		
	Contract assets	Accounts receivable (including related parties)	Other receivables (including related parties)
January 1	( \$ 117 )	( \$ 1,620 )	( \$ 10 )
Provision for impairment loss	( 3 )	( 290 )	( 6 )
December 31	( \$ 120 )	( \$ 1,910 )	( \$ 16 )



	2020		
	Contract assets	Accounts receivable (including related parties)	Other receivables (including related parties)
January 1	( \$ 114 )	( \$ 1,351 )	( \$ 18 )
Provision for impairment loss	( 3 )	( 269 )	-
Reversal of impairment loss	-	-	8
December 31	( \$ 117 )	( \$ 1,620 )	( \$ 10 )

viii. The Group's recorded financial assets at amortized cost include time deposits with contract period over three months and restricted bank deposits. Because of the low credit risk, expected credit losses for the period are measured through a loss allowance at an amount equal to the 12-month expected credit losses. There is no significant provision for the losses.

(c) Liquidity risk

- i. The Group manages and maintains adequate cash and cash equivalents to finance the Group's operations, and minimize the impact from cash flow fluctuations. The Group also monitors its debt financing plans to ensure it is in compliance with the financial covenants required under its loan agreements.
- ii. The primary source of liquidity for the Group is from bank loans. See Note 6(10)(13) for details of the unused credit lines of the Group as of December 31, 2021 and 2020.
- iii. The contractual undiscounted cash flows of notes payable, accounts payable and other payables due within one year and is equivalent to its carrying amount. Except for the aforementioned, the table below summarizes the maturity profile of the Group's non-derivative financial liabilities based on the earliest repayment dates and contractual undiscounted payments, including principal and interest. The Group does not consider the probability of early repayments requested by the banks.

	December 31, 2021				
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term bank loans	\$ 733,523	\$ -	\$ -	\$ -	\$ 733,523
Long-term bank loans	114,953	2,817,662	4,568,521	2,265,350	9,766,486
Lease liabilities	182,186	119,748	54,113	691,764	1,047,811
Guarantee deposits	-	-	-	21,625	21,625
	<u>\$ 1,030,662</u>	<u>\$ 2,937,410</u>	<u>\$ 4,622,634</u>	<u>\$ 2,978,739</u>	<u>\$ 11,569,445</u>

	December 31, 2020				
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
<u>Non-derivative financial liabilities</u>					
Long-term bank loans	\$ 846,401	\$ 3,558,597	\$ 2,198,717	\$ 1,487,808	\$ 8,091,523
Lease liabilities	145,594	160,146	54,689	718,752	1,079,181
Guarantee deposits	-	-	-	21,670	21,670
	<u>\$ 991,995</u>	<u>\$ 3,718,743</u>	<u>\$ 2,253,406</u>	<u>\$ 2,228,230</u>	<u>\$ 9,192,374</u>

The difference between the floating interest rates and estimated interest rates will affect the non-derivative financial liabilities stated above.

(3) Fair value information

A. The different levels of inputs used in valuation techniques to measure fair value of financial and non-financial instruments are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date. An active market is a market in which trading for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices from Level 1 that are observable information for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. The carrying amounts of cash and cash equivalents, financial assets at amortized cost, contract assets, notes receivable, accounts receivable, other receivables, refundable deposits, bank loans, notes payable, accounts payable, other payables, lease liabilities and guarantee deposits are approximate to their fair values.

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

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

	<u>December 31, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
- Listed stocks	\$ 359,960	\$ -	\$ -	\$ 359,960
Financial assets at fair value through other comprehensive income				
- Foreign unlisted stocks	-	-	384,521	384,521
	<u>\$ 359,960</u>	<u>\$ -</u>	<u>\$ 384,521</u>	<u>\$ 744,481</u>

	December 31, 2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
- Listed stocks	\$ 53,120	\$ -	\$ -	\$ 53,120
- Foreign partnership interests	-	-	10,368	10,368
Financial assets at fair value through other comprehensive income				
- Foreign unlisted stocks	-	-	262,007	262,007
	<u>\$ 53,120</u>	<u>\$ -</u>	<u>\$ 272,375</u>	<u>\$ 325,495</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The fair value of the Group's listed stocks is measured by using the market quoted prices, which is categorized within Level 1 fair value.
- ii. Except for listed stocks with active markets, the fair value of the Group's other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- iii. The Group's financial instruments issued by foreign partnerships are measured by using the discounted cash flow method, which derives present value estimates by discounting expected future operating effectiveness and free cash flows projections.
- iv. The Group's financial instruments issued by foreign companies are measured by the comparable company valuation (EV/EBITDA ratio and P/B ratio).
- v. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. The following table shows the movements of Level 3 for the years ended December 31, 2021 and 2020:

	2021		
	Debt	Equity	Total
	<u>instruments</u>	<u>instruments</u>	
January 1	\$ 10,368	\$ 262,007	\$ 272,375
Gains or losses recognized in profit or loss			
Recorded as non-operating expenses	( 941)	-	( 941)
Gains or losses recognized in other comprehensive income			
Recorded as unrealized gains on valuation of financial assets at fair value through other comprehensive income	-	122,514	122,514
Sold in the period	( 9,427)	-	( 9,427)
December 31	<u>\$ -</u>	<u>\$ 384,521</u>	<u>\$ 384,521</u>

  

	2020		
	Debt	Equity	Total
	<u>instruments</u>	<u>instruments</u>	
January 1	\$ 11,038	\$ 121,808	\$ 132,846
Gains or losses recognized in profit or loss			
Recorded as non-operating expenses	( 670)	-	( 670)
Gains or losses recognized in other comprehensive income			
Recorded as unrealized gains on valuation of financial assets at fair value through other comprehensive income	-	140,199	140,199
December 31	<u>\$ 10,368</u>	<u>\$ 262,007</u>	<u>\$ 272,375</u>

E. The Group performs the fair value measurements being categorized within Level 3 with assistance from specialist. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

F. The following is the qualitative information and sensitivity analysis of changes in significant unobservable inputs under valuation model used in Level 3 fair value measurement:

	Fair value as of December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average method)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Foreign unlisted stocks	\$ 384,521	Comparable companies	Price to book ratio multiple	3.46	The higher the multiple, the higher the fair value
			Enterprise value to EBITDA multiple	9.43	The higher the multiple, the higher the fair value
			Discount for lack of marketability	15.80%	The higher the discount for lack of marketability, the lower the fair value
	Fair value as of December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average method)	Relationship of inputs to fair value
Non-derivative debt instrument:					
Foreign partnership interests	\$ 10,368	Discounted cash flow	Discount rate	0.30%	The lower the discount rate, the higher the fair value
Non-derivative equity instrument:					
Foreign unlisted stocks	262,007	Comparable companies	Price to book ratio multiple	1.97	The higher the multiple, the higher the fair value
			Enterprise value to EBITDA multiple	12.00	The higher the multiple, the higher the fair value
			Discount for lack of marketability	15.80%	The higher the discount for lack of marketability, the lower the fair value

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

			December 31, 2021			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets:						
Foreign unlisted stocks	Price to book ratio multiple	± 1%	\$ -	\$ -	\$ 46	\$ 46
	Enterprise value to EBITDA multiple	± 1%	-	-	3,443	3,443
	Discount for lack of marketability	± 1%	-	-	4,585	4,585
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,074</u>	<u>\$ 8,074</u>
			December 31, 2020			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets:						
Foreign partnership interests	Discount rate	Note	\$ -	\$ -	\$ -	\$ -
Foreign unlisted stocks	Price to book ratio multiple	± 1%	-	-	30	30
	Enterprise value to EBITDA multiple	± 1%	-	-	2,153	2,153
	Discount for lack of marketability	± 1%	-	-	3,142	3,084
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,325</u>	<u>\$ 5,267</u>

Note: Based on the Group's assessment, change in input would not have significant impact on profit or loss or other comprehensive income.

#### (4) Other matter

In response to the COVID-19 pandemic, besides complying with the reporting guidelines and prevention management measures issued by the Taiwan Centers for Disease Control, the Group has also drawn up an epidemic preparedness and contingency plan and set up a response team, taking appropriate actions on pandemic protections as well as establishing epidemic prevention and response mechanism based on the pandemic situation to ensure employees' health and the normal operation of production lines. Meanwhile, the Group maintains sufficient stock of main raw materials required for production. To reduce the risk of raw materials disruption, the Group takes the proper preventive plan based on the pandemic situation in the suppliers' region, including increase safety stock or establish a second supply source. In summary, the Group has proactively adopted corresponding measures and continued to manage relevant matters. Based on the Group's assessment, the COVID-19 pandemic has no significant impact on the Group.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

A. Financings provided: None.

B. Endorsements and guarantees provided: There were no endorsements and guarantees provided by the Company. For information related to the Company's letter of guarantee for duty, please refer to Note 9(1).

C. Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures):

Held company name	Marketable securities type and name	Relationship with the company	General ledger account	As of December 31, 2021				Note
				Number of shares	Carrying amount	Ownership (%)	Fair value	
The Company	Chipbond Technology Corporation	N/A	Financial assets at fair value through profit or loss	800,000	\$ 53,360	0.12	\$ 53,360	
The Company	Solar Applied Materials Technology Corporation	N/A	Financial assets at fair value through profit or loss	6,000,000	306,600	1.01	306,600	
The Company	RYOWA CO., LTD.	N/A	Financial assets at fair value through other comprehensive income	420	380,093	18.12	380,093	
The Company	CONNECTEC JAPAN Corporation	N/A	Financial assets at fair value through other comprehensive income	56,497	4,428	2.74	4,428	

D. Marketable securities acquired or disposed of with accumulated amount exceeding the lower of \$300 million or 20% of the paid-in capital:

Investor	Marketable securities type and name	General ledger account	Counterparty	Relationship with the investee	Balance as of January 1, 2021		Acquisition		Disposal				Balance as of December 31, 2021	
					Number of shares/units (in thousands)	Amount	Number of shares/units (in thousands)	Amount	Number of shares/units (in thousands)	Selling price	Book value	Gain on disposal	Number of shares/units (in thousands)	Amount
The Company	Taishin 1699 Money Market Fund	Note	N/A	N/A	-	\$ -	51,232	\$ 700,000	51,232	\$ 700,242	\$ 700,000	\$ 242	-	\$ -
The Company	FSITC Taiwan Money Market Fund	Note	N/A	N/A	-	-	47,225	730,000	47,225	730,169	730,000	169	-	-
The Company	Union Money Market Fund	Note	N/A	N/A	-	-	86,311	1,150,000	86,311	1,150,320	1,150,000	320	-	-
The Company	UPAMC James Bond Money Market Fund	Note	N/A	N/A	-	-	97,903	1,650,000	97,903	1,650,461	1,650,000	461	-	-
The Company	Cathay Taiwan Money Market Fund	Note	N/A	N/A	-	-	43,868	550,000	43,868	550,269	550,000	269	-	-
The Company	Taishin Ta-Chong Money Market Fund	Note	N/A	N/A	-	-	101,167	1,450,000	101,167	1,450,290	1,450,000	290	-	-
The Company	Prudential Financial Money Market Fund	Note	N/A	N/A	-	-	56,340	900,000	56,340	900,353	900,000	353	-	-
The Company	Fuh Hwa Money Market Fund	Note	N/A	N/A	-	-	82,499	1,200,000	82,499	1,200,117	1,200,000	117	-	-
The Company	Shin Kong Chi-Shin Money Market Fund	Note	N/A	N/A	-	-	64,006	1,000,000	64,006	1,000,270	1,000,000	270	-	-
The Company	FSITC Money Market Fund	Note	N/A	N/A	-	-	1,944	350,000	1,944	350,039	350,000	39	-	-

Note : Accounted for as “Financial assets at fair value through profit or loss”.

E. Acquisition of real estate properties with amount exceeding the lower of \$300 million or 20% of the paid-in capital: None.

F. Disposal of real estate properties with amount exceeding the lower of \$300 million or 20% of paid-in capital: None.

G. Purchases from or sales to related parties with amount exceeding the lower of \$100 million or 20% of paid-in capital or more: None.



H. Receivables from related parties with amount exceeding the lower of \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods:

Number	Company name	Counterparty	Relationship	General ledger account	Transaction		Percentage of consolidated total revenues or total assets (%)
					Amount	Transaction terms	
0	The Company	ChipMOS USA	Note	Service expense	\$ 32,620	-	0.12%
0	The Company	ChipMOS Shanghai	Note	Service expense	11,875	-	0.04%

Note: Represents the transactions from parent company to subsidiary.

(2) Information on investees

Names, locations and related information of investees (excluding information on investments in the P.R.C.):

Investor	Investee	Location	Main business activities	Original investment amount		Shares held as of December 31, 2021			Net profit of the investee for the year ended December 31, 2021	Investment income recognized for the year ended December 31, 2021	Note
				Ending balance	Beginning balance	Number of shares	Ownership (%)	Carrying amount			
The Company	ChipMOS USA	San Jose, USA	Marketing of semiconductors and electronic related products	\$ 217,918	\$ 217,918	3,550,000	100	\$ 222,525	\$ 2,149	\$ 2,149	
The Company	JMC	Kaohsiung, Taiwan	Manufacturing, processing and trading of high-end flexible IC substrates for display driver ICs	148,007	148,007	8,300,000	10	304,437	324,411	32,441	Note
The Company	ChipMOS BVI	British Virgin Islands	Holding company	3,087,825	3,087,825	2,413,992,975	100	3,619,467	583,004	583,004	

Note: Company's associate accounted for using equity method.

(3) Information on investments in the P.R.C.

A. Basic information:

Investee in P.R.C.	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to P.R.C. as of January 1, 2021	Amount remitted from Taiwan to P.R.C./ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to P.R.C. as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership (%) held by the Company (directly or indirectly)	Investment income recognized for the year ended December 31, 2021	Carrying amount of investments in P.R.C. as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan through December 31, 2021	Note
Unimos Shanghai	Semiconductor assembling and testing services	\$ 10,817,191	Note 1	\$ 2,885,586	\$ -	\$ -	\$ 2,885,586	\$ 1,431,075	45.02	\$ 593,292	\$ 3,596,012	\$ -	Note 2
ChipMOS Shanghai	Marketing of semiconductors and electronic related products	15,113	Note 1	15,113	-	-	15,113	291	100.00	291	15,056	-	Note 2

Note 1: Through investing in an existing company (ChipMOS BVI) in the third area, which then invested in the investee in P.R.C.

Note 2: Recognized based on the financial statements that are audited by the Company's independent accountants.

Company name	Accumulated amount of remittance from Taiwan to P.R.C. as of December 31, 2021	Investment amount approved by the Investment Commission of MOEA	Limit on investments in P.R.C. imposed by the Investment Commission of MOEA
The Company	\$ 2,900,699	\$ 2,900,699	\$ 14,631,532

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

(4) Major shareholders information

<u>Major shareholder name</u>	<u>Number of shares</u>	<u>Ownership (%)</u>	<u>Notes</u>
First Bank in Its Capacity as Master Custodian for Custodial Account of ChipMOS' ADSs	91,725,054	12.61%	Notes 1, 2
Siliconware Precision Industries Co., Ltd.	78,910,390	10.85%	Note 1
Yann Yuan Investment Co., Ltd.	41,200,000	5.66%	Note 1

Note 1: The information is calculated by the Taiwan Depository & Clearing Corporation, based on total number of ordinary shares and preferred shares that have completed the dematerialized registration and delivery (including treasury shares) for shareholders who owns more than 5% of the Company on the last business day at the end of each quarter. However, there may be differences due to basis of preparation between the share capital recorded in the company's consolidated financial report and the number of shares which the Company has completed the dematerialized registration and delivery.

Note 2: For shareholders who transfer shares into a trust, they are disclosed by the principal of individual account opened by the trustee. As for shareholders who declare insider equity holding for more than 10% in accordance with the Securities and Exchange Act, their shareholdings include their personal shareholdings plus the shares transferred to a trust and have the rights to make decisions on trust property. Please refer to the information on the MOPS for insider equity declaration.

#### 14. SEGMENT INFORMATION

##### (1) General information

The Group engages mainly in the assembly and testing of semiconductors, memory modules and general investments. In accordance with IFRS 8 “Operating Segments”, the Group’s segments include Testing, Assembly, Testing and Assembly for LCD, OLED and other Display Panel Driver Semiconductors (“LCDD”), Bumping and others as the five reportable segments.

##### (2) Measurement of segment information

The Group’s reportable segments are strategic business units which provide different products and services. The accounting policies adopted by the operating segments are the same as the accounting policies described in Note 4.

##### (3) Information about segment profit or loss

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

	2021						
	<u>Testing</u>	<u>Assembly</u>	<u>LCDD</u>	<u>Bumping</u>	<u>Others</u>	<u>Elimination</u>	<u>Total</u>
Revenue:							
External customers	\$ 5,899,600	\$ 7,963,714	\$ 8,211,099	\$ 5,325,622	\$ -	\$ -	\$ 27,400,035
Inter-segment	-	-	-	-	43,808	( 43,808)	-
Total revenue	<u>\$ 5,899,600</u>	<u>\$ 7,963,714</u>	<u>\$ 8,211,099</u>	<u>\$ 5,325,622</u>	<u>\$ 43,808</u>	<u>( \$ 43,808)</u>	<u>\$ 27,400,035</u>
Operating profit (loss)	<u>\$ 1,814,021</u>	<u>\$ 857,304</u>	<u>\$ 2,336,394</u>	<u>\$ 561,642</u>	<u>( \$ 6,987)</u>	<u>\$ 15</u>	<u>\$ 5,562,389</u>
Depreciation expenses	<u>( \$ 921,999)</u>	<u>( \$ 576,138)</u>	<u>( \$ 2,579,150)</u>	<u>( \$ 549,020)</u>	<u>( \$ 7,805)</u>	<u>\$ -</u>	<u>( \$ 4,634,112)</u>
Share of profit of associates	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,211,177</u>	<u>( \$ 585,444)</u>	<u>\$ 625,733</u>
Interest income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,980</u>	<u>\$ -</u>	<u>\$ 9,980</u>
Interest expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>( \$ 120,998)</u>	<u>\$ -</u>	<u>( \$ 120,998)</u>
Expenditure for segment assets	<u>\$ 1,841,359</u>	<u>\$ 1,553,475</u>	<u>\$ 2,748,697</u>	<u>\$ 408,751</u>	<u>\$ 420</u>	<u>\$ -</u>	<u>\$ 6,552,702</u>

	2020						
	Testing	Assembly	LCDD	Bumping	Others	Elimination	Total
Revenue:							
External customers	\$ 5,002,730	\$ 6,001,964	\$ 7,023,003	\$ 4,983,684	\$ -	\$ -	\$ 23,011,381
Inter-segment	-	-	-	-	39,646	( 39,646)	-
Total revenue	<u>\$ 5,002,730</u>	<u>\$ 6,001,964</u>	<u>\$ 7,023,003</u>	<u>\$ 4,983,684</u>	<u>\$ 39,646</u>	<u>( \$ 39,646)</u>	<u>\$ 23,011,381</u>
Operating profit (loss)	<u>\$ 1,333,682</u>	<u>\$ 67,730</u>	<u>\$ 1,687,986</u>	<u>\$ 487,323</u>	<u>( \$ 10,230)</u>	<u>\$ 11</u>	<u>\$ 3,566,502</u>
Depreciation expenses	( \$ 853,829)	( \$ 523,341)	( \$ 2,213,504)	( \$ 578,890)	( \$ 5,955)	\$ -	( \$ 4,175,519)
Share of profit of associates	\$ -	\$ -	\$ -	\$ -	( \$ 320,578)	\$ 173,249	( \$ 147,329)
Interest income	\$ -	\$ -	\$ -	\$ -	\$ 27,778	\$ -	\$ 27,778
Interest expense	\$ -	\$ -	\$ -	\$ -	( \$ 162,400)	\$ -	( \$ 162,400)
Expenditure for segment assets	<u>\$ 887,204</u>	<u>\$ 803,693</u>	<u>\$ 2,143,401</u>	<u>\$ 298,834</u>	<u>\$ 483</u>	<u>\$ -</u>	<u>\$ 4,133,615</u>

(4) Reconciliation for segment income (loss)

Revenue from external customers and segment income (loss) reported to the chief operating decision maker are measured using the same method as for revenue and operating profit in the financial statements. Thus, no reconciliation is needed.

(5) Information on products and services

	2021		2020	
	Revenue	%	Revenue	%
Testing	\$ 5,899,600	22	\$ 5,002,730	22
Assembly	7,963,714	29	6,001,964	26
LCDD	8,211,099	30	7,023,003	30
Bumping	<u>5,325,622</u>	<u>19</u>	<u>4,983,684</u>	<u>22</u>
	<u>\$ 27,400,035</u>	<u>100</u>	<u>\$ 23,011,381</u>	<u>100</u>

(6) Geographical information

	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 21,608,567	\$ 21,506,565	\$ 18,341,726	\$ 18,913,501
Japan	1,768,460	-	1,291,026	-
Singapore	1,630,733	-	1,838,394	-
P.R.C.	1,899,362	86	1,105,535	117
Others	<u>492,913</u>	<u>6,245</u>	<u>434,700</u>	<u>11,845</u>
	<u>\$ 27,400,035</u>	<u>\$ 21,512,896</u>	<u>\$ 23,011,381</u>	<u>\$ 18,925,463</u>

(7) Major customer information

The information on the major customers which constituted more than 10% of the Group's total revenue for the years ended December 31, 2021 and 2020 is as follows:

Company name	2021		2020	
	Amount	%	Amount	%
Customer A	\$ 5,681,277	21	\$ 5,088,544	22
Customer M	2,832,088	10	1,674,801	7
Customer K	2,519,631	9	2,332,914	10
Customer B	2,484,611	9	2,365,945	10