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**南茂科技股份有限公司**  
**ChipMOS TECHNOLOGIES INC.**

**2020**

**ANNUAL REPORT**

### Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting.

If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Printed on April 20, 2021

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**Headquarter and Fabs**

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**The Certified Public Accountants for the Latest Annual Financial Statements**

Company: PricewaterhouseCoopers, Taiwan  
Auditors: Chien-Yeh Hsu, Yi-Chang Liang  
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**Foreign Securities Trade & Exchange**

ADS exchange:  
NASDAQ Stock Market  
Disclosed information can be found at:  
<https://www.nasdaq.com>  
ADS code: IMOS

**Corporate Website**

<https://www.chipmos.com>

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## I. Letter to Shareholders

Dear Shareholders,

2020 was full of challenges both for ChipMOS and whole industry. Our team did an excellent job supporting customers through the global pandemic, trade tensions and widespread supply chain tightness, which made operations more challenging. However, ChipMOS was benefitted from the strong demand from customer and the change in demand caused by the epidemic in 2020. Revenue of 2020 was the record high since 2008, and the gross margin rate was also significantly grew compared to 2019. By cautiously stable operating strategy, in line with industry trend and customer requirements, ChipMOS will keep moving forward expanding the core technologies and product developments to maintain growth momentum and improve profitability. The followings are the major operating results of 2020:

### Operating Result

Consolidated revenue for the fiscal year ended December 31, 2020 was NT\$23.01 billion, which reflects 13.1% growth from 2019. The consolidated gross margin for the year increased to 21.9%. Regarding to the products, with the increasing of high ASP products, TDDI, the revenue of flat panel display driver IC (DDIC) related products, including gold bump represented 48.3% of 2020 total revenue. Regarding to the memory product, driven by automotive, gaming, new consumer product and other new business, Flash product revenue represented 22.3% of 2020 total revenue.

### Financial Performance

ChipMOS' financial situation has been improved over years through the adjustment of the product mix, customer base and business segment served. The profit attributable to equity holders of the Company and the basic earnings per share were NT\$2.37 billion and NT\$3.26. Till the end of 2020, the aggregated amount of ChipMOS' consolidated assets was NT\$35.08 billion and the cash and cash equivalents was NT\$4.11 billion. The consolidated liabilities was NT\$14.25 billion with the consolidated liabilities to assets ratio of 40.6%. The equity attributable to equity holders of the Company was NT\$20.83 billion with the Return on Equity (ROE) was 11.7% for 2020.

### Technological Developments

Single integrated device, and the thinning & small foot print requirements are driving the packaging technology development with the raising of emerging applications such as AI and 5G, and the popularity of mobile devices. We completed the following technologies development results in 2020:

- (1) Bumping & Flip chip technologies: 3P/3M Cu pillar bumping and WLCSP assembly technologies.
- (2) Wafer level packaging: Narrow W/S: 4um/4um of RDL Cu line technologies.
- (3) Multi-chip stack and SiP assembly technologies: 16 dice stacked for high density memory product and SiP packaging technologies.
- (4) COF assembly & test: Fine pitch(18um) inner lead reel to reel assembly, thinner COP film thickness(25um) & higher flexible COF new film reel to reel assembly and test capability and low temperature (-40<sup>0</sup>C) reel to reel test for Automotive product.

### Honors and Awards

ChipMOS is committed to improving the quality of corporate governance and perform corporate social responsibility. In the meantime, we integrated our core business and sustainability vision of ChipMOS to support the UN's sustainable development goals (SDGs) by specific solid

actions. ChipMOS received recognition for achievements in sustainability, environmental protection and corporate social responsibility (CSR) from ACES, TCSA and EPA of Executive Yuan Taiwan in 2020. ChipMOS awarded from 「Top 50 Taiwan Corporate Sustainability Awards」 of 2020 Taiwan Corporate Sustainability Awards (TCSA), 「Top Green Companies in Asia Award」 at the 2020 Asia Corporate Excellence & Sustainability (ACES) Awards, and the honorary 「2020 Air Quality Purification Zone Adoption-Special Contribution Award」 of EPA.

#### Outlook

Keep moving forward to deliver high technology, outstanding quality with reliable packaging and testing solutions are the unwavering principles of ChipMOS since its inception. By catching up the industry trend, grasping the opportunity of product growth and continuously consolidating the company's product line, ChipMOS could continue to keep moving forward and growing in the intensified market competition under the influence of down cycle and other external issues. In face of more and more severe industrial environments and challenges, ChipMOS will continuously focus on the core technology development and innovation, to cooperate with customers for reducing operating costs. According to our global business strategies, we remain alongside our strategic customers for supporting their product development roadmap to make progress and grow with them. To maximize value for our shareholders is our endeavor goal.

Looking ahead to 2021 and beyond, ChipMOS will continue to focus on the niche market about automotive electronics and industrial electronics, as well as high-growth markets about smart mobile devices which are driven by the automation and intellectualized in industrial. By offering leading edge and reliable semi-conductor back end turnkey solutions that integrated wafer bumping and assembly, to meet the industry demand and customers' requirements. Moreover, ChipMOS will actively grasp the growth opportunities of new products trend for new specifications of new smart phone demand. ChipMOS is also driving higher efficiency and profit through increased AI and automation to further reduce the operating cost to be able to drive growth in revenue and profitability. We thank you for your continuous support.

Chairman: Shih-Jye Cheng

President: Shih-Jye Cheng

Accounting Officer: Silvia Su

## II. Company Profile

I. Date of Incorporation: July 28, 1997

### II. Company History

<u>Time</u>	<u>Milestones</u>
July 1997	Incorporated with paid-in capital of NT\$5,000,000,000 and with the name "ChipMOS TECHNOLOGIES INC."
September 1997	Acquired ISO 9002 certification. (Hsinchu fab.)
October 1997	Became public company.
November 1997	Acquired ISO 14001 certification. (Hsinchu fab.)
August 1998	Completed construction of Tainan fab.
October 1998	Acquired QS 9000 certification. (Hsinchu fab.)
November 1998	Tainan fab. was approved to start the operation and began the commercial launch of memory IC TSOP/QFP package.
December 1998	Acquired ISO 9002 certification. (Tainan fab.)
June 1999	Established Japanese subsidiary.
July 1999	Acquired Kaohsiung fab. of Microchip Technology Inc. which provided EEPROM, OTPROM memory IC and logic IC testing services.
July 1999	Became the first professional assembly house in the world to develop Cross-flow Modeling Technique and began mixed-signal product testing and Ball Grid Array (BGA) package.
October 1999	Acquired QS 9000 certification (Tainan fab. and Kaohsiung fab. ) and established U.S. subsidiary of the Company.
April 2000	Started TCP assembly for LCD driver IC semiconductor.
July 2000	Acquired ISO 14001 certification. (Tainan fab.)
October 2000	Acquired CNLA Accreditation(the quality laboratory of the Tainan fab).
November 2000	Started 12" wafer assembly and testing.
January 2001	For the plan of ChipMOS TECHNOLOGIES (Bermuda) LTD. (hereinafter be referred to as "ChipMOS Bermuda") to list in the United States of America, the Company's major shareholder, Mosel Vitelic Inc. and other shareholders, sold 70.25% of the Company's common share to ChipMOS Bermuda, and at the same time purchased ChipMOS Bermuda's shares by using the full proceeds obtained from the sale. As of the end of 2001, ChipMOS Bermuda held 69.7% of the Company's total outstanding shares.
September 2002	Invested into CHANTEK ELECTRONIC CO., LTD. which was mainly engaged in business of IC assembly.
December 2002	Invested into ThaiLin Semiconductor Corp.

<u>Time</u>	<u>Milestones</u>
January 2003	Launched successfully high-tech level Chip On Film assembly and testing technology.
February 2003	Invested into Advanced Micro Chip Technology Co., Ltd. which was mainly engaged in business of gold bumping production.
August 2003	Completed the preparation of commercial launch of DDR II SDRAM assembly and testing solution.
December 2003	Acquired ISO 9001:2000 and ISO/TS 16949:2002 certification. (Hsinchu and Tainan fab.)
December 2003	Started commercial launch of Chip On Glass (COG) for LCD driver IC.
January 2004	Founded ChipMOS Logic TECHNOLOGIES INC. as the joint venture with ThaiLin Semiconductor Corp. to engage in logic/mixed-signal IC testing business.
November 2005	The Company merged with CHANTEK ELECTRONIC CO., LTD., with the Company being the surviving company and the capital increased to NT\$8,934,422,910.
January 2006	Acquired ISO/TS 16949:2002 certification (Zhubei fab.)
April 2006	The Company, Oracle and Institute for Information Industry form R&D alliance to develop a real time information system.
September 2006	Received 14 <sup>th</sup> "Excellent Enterprise Innovation Award" from the MOEA.
February 2007	Cancelled 5,611,797 treasury shares which the Company bought back from the dissenting shareholders regarding the merger with CHANTEK ELECTRONIC CO., LTD. and the capital became NT\$8,878,304,940 after the cancellation.
May 2007	Completed construction of the second assembly fab. in Tainan.
August 2007	Awarded for 2006 International Trade.
September 2007	The Company and ChipMOS Bermuda consummated share exchange transaction and the Company became a wholly owned subsidiary of ChipMOS Bermuda.
October 2009	The Company's Japanese subsidiary was dissolved.
April 2013	Registered at the Emerging Stock Market.
April 2014	Listed for trading on the Taiwan Stock Exchange.
June 2015	Merged with ThaiLin Semiconductor Corp. with the Company being the surviving company and increased the capital in an amount of NT\$359,322,850. Company's capital became NT\$9,005,516,430 after the merger.
October 2016	The Company merged with its parent company, ChipMOS Bermuda, with the Company being the surviving company. The total outstanding shares of the Company after the merger were 887,121,261 shares. And issued ADS of ChipMOS Taiwan trading on NASDAQ Stock Market (Ticker: IMOS)

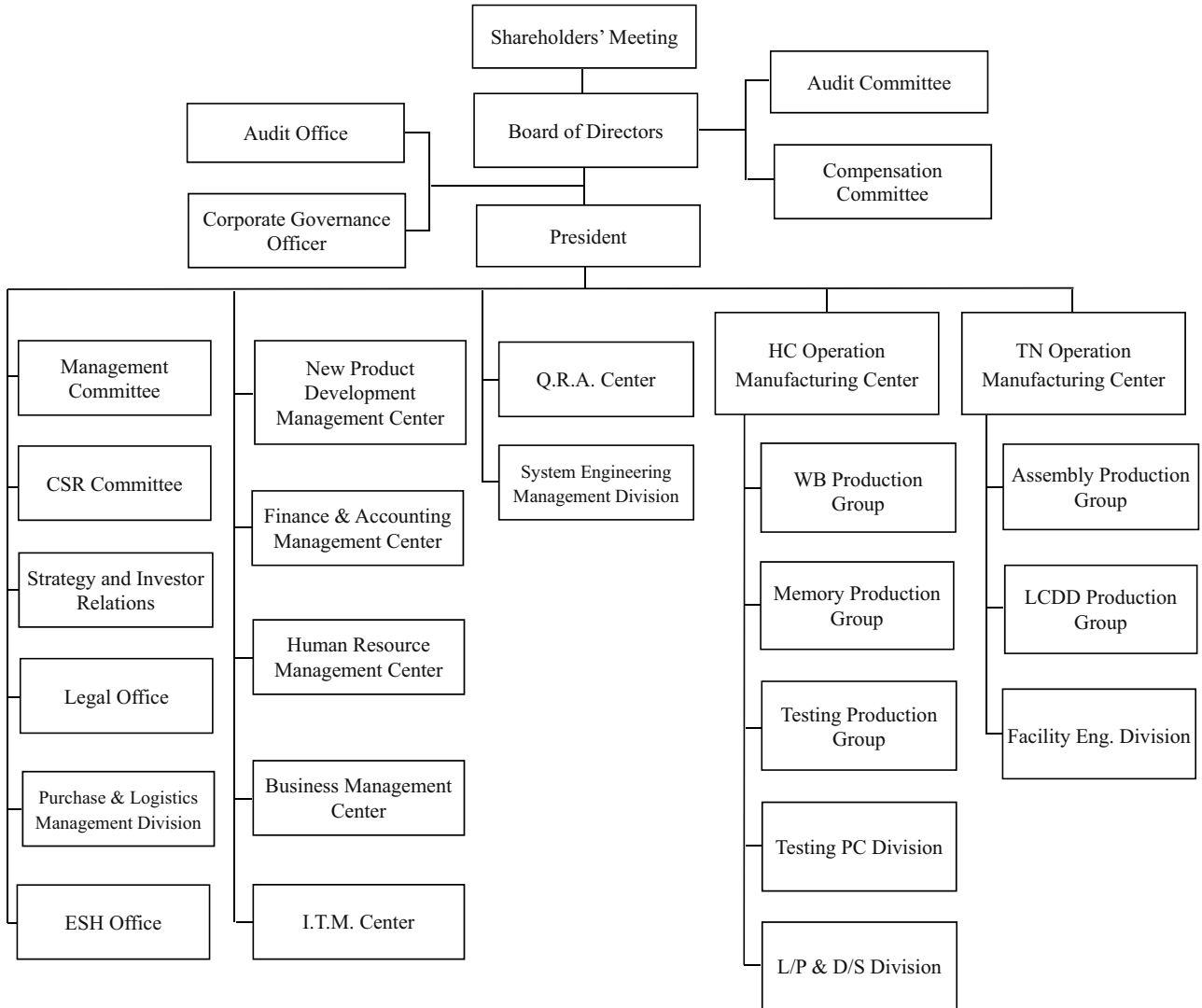


<u>Time</u>	<u>Milestones</u>
November 2016	Awarded Bronze grade Award of the 25th Enterprise Environmental Protection Award.
March 2017	Completed the joint venture with Tsinghua Unigroup in ChipMOS TECHNOLOGIES (Shanghai) LTD. (renamed Unimos Microelectronics (Shanghai) Co., Ltd. in July 2018). The Company sold 54.98% of ChipMOS TECHNOLOGIES (Shanghai) LTD. shares to strategic investors lead by Tsinghua Unigroup.
November 2017	Awarded Silver grade Award of the 26th Enterprise Environmental Protection Award.
March 2018	Completed whole investment tranche of Shanghai facility in Q1
August 2018	Honored Top100 and Top 50 larger enterprise of the 2018 CommonWealth's CSR Corporate Citizens Award.
November 2018	Awarded Top 50 Taiwan Corporate Sustainability Awards of 2018 Taiwan Corporate Sustainability Awards.
December 2018	Awarded Gold grade Award of the 27th Enterprise Environmental Protection Award.
September 2019	Honored Top 50 larger enterprise of the 2019 CommonWealth's CSR Corporate Citizens Award.
November 2019	Awarded the Honorary Environmental Protection Enterprise Award & Gold grade Award of the 1st National Enterprise Environmental Protection Award. Awarded Top 50 Taiwan Corporate Sustainability Awards of 2019 Taiwan Corporate Sustainability Awards (TCSA).
March 2020	Established Shanghai subsidiary.
November 2020	Honored Top Green Companies in Asia Award at the 2020 Asia Corporate Excellence & Sustainability (ACES) Awards. Awarded Top 50 Taiwan Corporate Sustainability Awards of 2020 Taiwan Corporate Sustainability Awards (TCSA).
December 2020	Honored 2020 Air Quality Purification Zone Adoption-Special Contribution Award of Environmental Protection Administration (EPA).

### III. Corporate Governance Report

#### I. Organization System

##### (I) Organization structure



## (II) Business of Major Departments

### **President**

Operational targets and performance manage of the company.

### **Audit Office**

Internal audit and operation process management.

### **Corporate Governance Officer**

Handle matters relating to the board and shareholders' meetings according to laws, assist the directors to perform their duties.

### **Audit Committee**

Supervise the financial reports and audit accounting statements of the company.

### **Compensation Committee**

Enact and periodically review the performance evaluation and policies, systems, standards and structure of compensation.

### **Management Committee**

Plan operation strategies of the company.

### **CSR Committee**

Implement and promote Corporate Social Responsibility and sustainable management of the company.

### **Strategy and Investor Relations**

Implementation and plans regarding matters relating to the strategy and investor relations.

### **Legal Office**

Handle with issues related to corporate legal affairs.

### **Purchase & Logistics Management Division**

Plan and implement the procurement of raw materials, equipment and general matters.  
Logistics plan and manage of the company.

### **ESH Office**

Responsible for planning and implementing policies related to labors' safety and health and environmental protection.

### **New Product Development Management Center**

Responsible for the management of new production development.

### **Finance & Accounting Management Center**

Financial and accounting services: including capital management, tax management, asset management and other accounting operations

### **Human Resource Management Center**

Human resource management and organizational development.

### **Business Management Center**

Responsible for market trend analysis, plans and implementation of matters related to business development and customer service.

### **I.T.M. Center**

Responsible for the structure of information system.

Develop and manage the automated & A.I. system to enhance quality and productivity.

### **Q.R.A. Center**

Responsible for the enactment related to the quality development schedule, and plans and implementation related to relevant quality activities.

### **System Engineering Management Division**

Provide rationalization and optimization plans regarding resources in facilities areas located in Hsinchu, Zhubei and Tainan to high-level managements as policy decision reference.

### **HC Operation Manufacturing Center**

Responsible for production plans and implementation of Wafer Bump Production Group, Memory Production Group, Testing Production Group, Testing PC Division and L/P & D/S Division.

### **TN Operation Manufacturing Center**

Responsible for production plans and implementation of Assembly Production Group, LCDD Production Group and Facility Eng. Division.

## II. Information of Directors (including independent directors), President, Vice Presidents, Assistant Presidents, Officers of Departments and Branches

### (I) Information Regarding Directors (including independent directors)

#### 1. Directors (including independent directors)

Title	Nationality	Name	Gender	Date elected	Term	Date first elected	Shareholding when elected		Shareholding at present		Shareholding at present by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at the Company or other companies	Other officers, directors who is the spouse or a relative within second degree of kinship		Remark
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	
Chairman	R.O.C. (Taiwan)	Shih-Jye Cheng	M	2019.6.10	3 years	1997.7.17	12,150,161	1.64%	6,150,161	0.85%	—	—	624,777	0.88%	-MBA, Saginaw Valley State University -Director of Mosel Vitelic Inc. -Chairman of Advanced Micro Chip Technology Co., Ltd. -Chairman of ChipMOS TECHNOLOGIES (Shanghai) LTD. -Chairman of CHANTEK ELECTRONICS CO., LTD. -Chairman of ChipMOS Logic TECHNOLOGIES INC. -Chairman of ThaiLin Semiconductor Corp.	-President of ChipMOS TECHNOLOGIES INC. -Director of ChipMOS U.S.A. Inc. -Vice Chairman of Unimos Microelectronics (Shanghai) Co., Ltd. -Representative & Director of Hao Hsiang Investment Co., Ltd. -Representative & Director of Chin Hsiang Investment Co., Ltd. -Representative & Director of Hao Yen Investment Co., Ltd	—	—	Note 2

Title	Nationality	Name	Gender	Date elected	Term	Date first elected	Shareholding when elected		Shareholding at present		Shareholding at present by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at the Company or other companies	Other officers, directors who is the spouse or a relative within second degree of kinship			Remark
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
Director	R.O.C. (Taiwan)	Siliconware Precision Industries Co., Ltd.	N/A	2019.6.10	3 years	1997.7.17	148,910,390	20.12%	78,910,390	10.89%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	—
	R.O.C. (Taiwan)	Teresa Wang (Representative)	F	2019.6.10	3 years	2019.6.10	—	—	—	—	—	—	—	—	-Bachelor, Accounting and Statistics, Ming Chuang College -Chief Financial Officer of Camel Precision Co., Ltd. -Director of Unimicron Technology Corp. -Senior Special Assistant of Siliconware Precision Industries Co., Ltd.	-Director of Siliconware Precision Industries Co., Ltd. -Director of Radio Flux Co., Ltd.	—	—	—	—
Director	R.O.C. (Taiwan)	Siliconware Precision Industries Co., Ltd.	N/A	2019.6.10	3 years	1997.7.17	148,910,390	20.12%	78,910,390	10.89%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	—
	R.O.C. (Taiwan)	Bright Yeh (Representative)	M	2019.6.10	3 years	2019.6.10	—	—	—	—	—	—	—	—	-Master, Industrial Engineering, National Tsing Hua University -Enterprise Operation Planning Division Director of United Microelectronics Corp.	-Vice President of Siliconware Precision Industries Co., Ltd. -Director of Siliconware Technology (Suzhou) Ltd.	—	—	—	—

Title	Nationality	Name	Gender	Date elected	Term	Date first elected	Shareholding when elected		Shareholding at present		Shareholding at present by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at the Company or other companies	Other officers, directors who is the spouse or a relative within second degree of kinship			Remark
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
Director	R.O.C. (Taiwan)	Lafair Cho	M	2019.6.10	3 years	2003.10.1	101,990	0.01%	101,990	0.01%	—	—	—	—	-Master, Industrial Management, National Cheng Kung University -Manager of Mosel Vitelic Inc. -Chairman & President of ThaiLin Semiconductor Corp. -Senior Executive Vice President & Chief Operating Officer of ChipMOS TECHNOLOGIES INC.	-Consultant of ChipMOS TECHNOLOGIES INC. -Chairman of ChipMOS U.S.A., Inc. -Chairman of ChipMOS TECHNOLOGIES (BVI) LTD.	—	—	—	—
Independent Director	R.O.C. (Taiwan)	Chin-Shyh Ou	M	2019.6.10	3 years	2007.6.28	—	—	—	—	—	—	—	—	-Ph. D., Business Administration (Accounting), University of Minnesota, USA -Accounting Professor of Department of Accounting at National Chung Cheng University -Director of ChipMOS TECHNOLOGIES (Bermuda) LTD. -Independent Director of Chi Hua Fitness Co., Ltd.	-Chair Professor of Department of Accounting and Information Systems at Asia University -Honorary Professor of Department of Accounting and Information Technology at National Chung Cheng University -Independent Director / Audit Committee Member / Compensation Committee Member of Tsang Yow Industrial Co., Ltd. -Independent Director / Audit Committee Member / Compensation Committee Member of Yong Chang International Co., Ltd. (Cayman)	—	—	—	—



Title	Nationality	Name	Gender	Date elected	Term	Date first elected	Shareholding when elected		Shareholding at present		Shareholding at present by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at the Company or other companies	Other officers, directors who is the spouse or a relative within second degree of kinship			Remark
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
Independent Director	R.O.C. (Taiwan)	Yuh-Fong Tang	M	2019.6.10	3 years	2013.6.17	—	—	—	—	—	—	—	—	-Ph.D., Electrical Engineering, University of Illinois, USA -Vice Chairman of Pack-Link Management Corp. -Independent Director of Yulon IT Solutions Inc. -Supervisor of TrueLight Corporation -Compensation Committee Chairman of Carnival Industrial Corporation -Chairman & CEO of Myson Century, Inc. -Chairman of ZAVIO Inc.	-Compensation Committee Member of OPNET Technologies Co., Ltd. -Consultant of Intelligent Silicon Solution Corporation	—	—	—	—
Independent Director	R.O.C. (Taiwan)	Tai-Haur Kuo	M	2019.6.10	3 years	2013.6.17	—	—	—	—	—	—	—	—	-Ph.D., Electrical Engineering, University of Maryland, USA -Director of Zilltek Technology Corp.	-Professor of Department of Electrical Engineering at National Cheng Kung University -Independent Director / Audit Committee Member / Compensation Committee Member of Holtek Semiconductor Inc.	—	—	—	—

Title	Nationality	Name	Gender	Date elected	Term	Date first elected	Shareholding when elected		Shareholding at present		Shareholding at present by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at the Company or other companies	Other officers, directors who is the spouse or a relative within second degree of kinship			Remark
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
Independent Director	R.O.C. (Taiwan)	Kuei-Ann Wen	F	2019.6.10	3 years	2015.6.03	—	—	—	—	—	—	—	—	-Ph.D., Electrical Engineering, National Cheng Kung University -Associate Dean of College of Electrical and Computer Engineering at National Chiao Tung University -Associate Dean of Office of Research and Development at National Chiao Tung University	-Professor of Department of Electronic Engineering at National Yang Ming Chiao Tung University -Chief Executive Officer of Social Responsibility Development Office at National Yang Ming Chiao Tung University -Vice Dean of International College of Semiconductor Technology at National Yang Ming Chiao Tung University -Independent Director / Audit Committee Member / Compensation Committee Member of Xintee Inc.	—	—	—	—
Independent Director	R.O.C. (Taiwan)	Jing-Shan Aur	M	2019.6.10	3 years	2013.6.17	261,123	0.04%	261,123	0.04%	—	—	—	—	-Bachelor, Marine Engineering, National Taiwan Ocean University -President / Supervisor of Unimicron Technology Corp. -Chairman of APTOS (Taiwan) Corp. -Managing Director of United Microelectronics Corp. -Director of Siliconware Precision Industries Co., Ltd.	-Director of RSEA Engineering Corp. -Compensation Committee Member of Siliconware Precision Industries Co., Ltd.	—	—	—	—

Note 1: The authority of the Company's supervisors shall be exercised by Audit Committee composed of Independent Directors.

Note 2: The reasonableness, necessity thereof, and the measures adopted in response thereto of the Chairman and President of the Board of Directors of the Company are the same person:

The Board of Directors is the Company's highest governance unit and the center for making business decisions. It supervises the management, exercise its powers in accordance with laws and regulations, and is being responsible to the company and its shareholders.

The person who serves the Chairman and President, in order to maximize the Company's value, he must fully grasp the operation information and status, so that the operating efficiency is increased and the decision-making

is executed more smoothly.

The Company has long been committed to deepening corporate governance and corporate social responsibility. By increasing the number of independent directors to 5 and setting up functional committees, independent directors are appointed as members of the committee. With its independence and professionalism, it provides board decision-making suggestions and strengthens director supervision and decision quality. More than half of the Company's directors neither employee nor officer of the Company.

## 2. Major Shareholders of ChipMOS's Institutional Shareholders

Name of Institutional Shareholders	Major Shareholders	
	Name	Shareholding Ratio(%)
Siliconware Precision Industries Co., Ltd.	ASE Technology Holding, Co., Ltd	100%

April 2, 2021

## 3. Major Shareholders of Institutional Shareholders Whom Are Major Shareholders of ChipMOS's Institutional Shareholders

Name of Institutional Shareholders	Major Shareholders	
	Name	Shareholding Ratio(%)
ASE Technology Holding, Co., Ltd	A.S.E Enterprises Limited	15.729%
	HSBC: entrusted with the Company's investment account	5.980%
	Citibank Taiwan: custody of ASE Depository Certificates	5.014%
	Fubon Life Insurance Co.,Ltd.	2.866%
	Trust account of Brilliant Capital Profits Limited, with HSBC Bank as the custodian trustee	2.773%
	New Labor Pension Fund	2.495%
	Cathay Life Insurance Co.,Ltd.	2.454%
	Citibank Taiwan: custody of the Singapore government investment account	2.285%
	Old Labor Retirement Reserve Fund	1.554%
	Employee Prvdnt-EPF MSCI North Asia by HSBC	1.469%

January 26, 2021

#### 4. Information regarding the independence of directors (including independent directors)

March 31, 2021

Criteria	Has at least 5 years of work experience and meet one of the following professional qualifications			Qualification regarding the independence criteria (Note)												Number of other public companies concurrently serving as an independent director
	An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company.	1	2	3	4	5	6	7	8	9	10	11	12	
Name																
Shih-Jye Cheng			V				V	V	V		V	V	V	V	V	—
Teresa Wang			V	V	V	V	V		V	V	V	V	V	V		—
Bright Yeh			V	V	V	V	V		V	V	V	V	V	V		—
Lafair Cho			V			V	V	V	V	V	V	V	V	V	V	—
Chin-Shyh Ou	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	1
Yuh-Fong Tang			V	V	V	V	V	V	V	V	V	V	V	V	V	—
Tai-Haur Kuo	V		V	V	V	V	V	V	V	V	V	V	V	V	V	1
Kuei-Ann Wen	V		V	V	V	V	V	V	V	V	V	V	V	V	V	1
Jing-Shan Aur			V	V	V	V	V	V	V	V	V	V	V	V	V	—

Note: If the director (including independent directors) meets any of the following criteria in the two years before being elected or during the term of office, please check "V" the corresponding boxes:

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates (the same does not apply, however, in cases where the person is an independent director of the Company who serves concurrently as an independent director of its parent company, subsidiary, or subsidiary of the same parent company in accordance with the laws of Taiwan or with the laws of the country of the parent company, subsidiary or subsidiary of the same parent company).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3.

5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Act (the same does not apply, however, in cases where the person is an independent director of the Company who serves concurrently as an independent director of its parent company, subsidiary, or subsidiary of the same parent company in accordance with the laws of Taiwan or with the laws of the country of the parent company, subsidiary or subsidiary of the same parent company).
6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company (the same does not apply, however, in cases where the person is an independent director of the Company who serves concurrently as an independent director of its parent company, subsidiary, or subsidiary of the same parent company in accordance with the laws of Taiwan or with the laws of the country of the parent company, subsidiary or subsidiary of the same parent company).
7. Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent) (the same does not apply, however, in cases where the person is an independent director of the Company who serves concurrently as an independent director of its parent company, subsidiary, or subsidiary of the same parent company in accordance with the laws of Taiwan or with the laws of the country of the parent company, subsidiary or subsidiary of the same parent company).
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company (the same does not apply, however, in cases where a company owns more than 20% but less than 50% of the Company's issued shares and the person is an independent director of the Company who serves concurrently as an independent director of its parent company, subsidiary, or subsidiary of the same parent company in accordance with the laws of Taiwan or with the laws of the country of the parent company, subsidiary or subsidiary of the same parent company).
9. Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NT\$500,000".
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.
11. Not been a person of any conditions defined in Article 30 of the Company Act.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

## (II) Profile of President, Vice Presidents, Assistant Vice Presidents and Officers of Departments and Branches

April 2, 2021 (Unit: shares, %)

Title Name	Nationality	Gender	Date appointed	Shareholding		Shareholding by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at other companies	Other manager who is the spouse or a relative within second degree of kinship			Remarks
				Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
President Shih-Jye Cheng	R.O.C (Taiwan)	M	1998.7.17	6,150,161	0.85%	—	—	6,244,777	0.86%	-MBA, Sagnaw Valley State University -Director of Mosel Vitelic Inc. -Chairman of Advanced Micro Chip Technology Co., Ltd. -Chairman of Unimos Microelectronics (Shanghai) Co., Ltd. -Chairman of CHANTEK ELECTRONICS CO., LTD. -Chairman of ChipMOS Logic TECHNOLOGIES INC. -Chairman of Thialin Semiconductor Corp.	Note 1	—	—	—	Note 6
Vice President, Memory Production Group Wu-Hung Hsu	R.O.C (Taiwan)	M	2004.11.1	233,728	0.03%	—	—	—	—	-Bachelor, Automatic Control Engineering, Feng Chia University -Deputy Manager, Equipment Division, Mosel Vitelic Inc. -Director, Memory Engineering Division, ChipMOS TECHNOLOGIES INC.	None	—	—	—	—
Senior Vice President, Strategy and Investor Relations & Spokesperson Jesse Huang	R.O.C (Taiwan)	M	2007.4.17	293,223	0.04%	—	—	—	—	-Bachelor, Physics, Soochow University -Vice President, Assembly Production Group, ChipMOS TECHNOLOGIES INC.	Note 2	—	—	—	—
Vice President, Assembly Production Group Jin-Long Fang	R.O.C (Taiwan)	M	2018.7.1	12,197	—	—	—	—	—	-Master, Electrical Engineering, National Sun Yat-sen University -Bachelor, Department of Electrical Engineering, National Taiwan Ocean University -Process Engineer, Philips Electronic Building Elements(Taiwan) Ltd.	None	—	—	—	—
Executive Vice President, TN Operation Manufacturing Center Yuan-Feng Hsu (Vincent Hsu)	R.O.C (Taiwan)	M	2012.3.6	220,130	0.03%	—	—	—	—	-Master, Electrical Engineering, National Sun Yat-sen University -Assistant, National Cheng Kung University -Senior Project Leader Engineer, Philips Electronic Building Elements(Taiwan) Ltd. -Vice President, LCDD Production Group, ChipMOS TECHNOLOGIES INC.	Note 2	—	—	—	—



Title Name	Nationality	Gender	Date appointed	Shareholding		Shareholding by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at other companies	Other manager who is the spouse or a relative within second degree of kinship			Remarks
				Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
Vice President, Finance & Accounting Management Center Silvia Su	R.O.C (Taiwan)	F	2017.10.1	340,101	0.05%	—	—	830,000	0.11%	-Master, The University of Leeds -Director, ThaiLin Semiconductor Corp. -Senior Director, ChipMOS TECHNOLOGIES INC.	Note 3	—	—	—	—
Vice President, Business Management Center Ming-Cheng Lin	R.O.C (Taiwan)	M	2014.6.1	84,992	0.01%	—	—	—	—	-Bachelor, Industrial Engineering and Engineering Management, National Tsing Hua University -Master, Industrial Engineering and Management, Yuan Ze University -Manager, Production Management Department, Walton Advanced Engineering Inc. -Vice President, Marketing, ChipMOS TECHNOLOGIES INC.	None	—	—	—	—
Senior Vice President, Human Resource Management Center Yu-Ying Chen	R.O.C (Taiwan)	F	2012.6.15	217,580	0.03%	—	—	—	—	-Bachelor, Business Administration, Soochow University -Mosel Vitelic Inc.	None	—	—	—	—
Executive Vice President, HC Operation Manufacturing Center Teng-Yueh Tsai (D.Y. Tsai)	R.O.C (Taiwan)	M	2012.3.6	262,572	0.04%	—	—	820,000	0.11%	-Master, Resources Engineering, National Cheng Kung University -Gloria Material Technology Corp. -Philips Electronic Building Elements (Taiwan) Ltd. -Vice President, Q.R.A. Center, ChipMOS TECHNOLOGIES INC.	Note 4	—	—	—	—
Vice President, Wafer Bump Production Group Tung-Pao Lu (TB Lu) (Promotion on March 16, 2021)	R.O.C (Taiwan)	M	2020.11.10	—	—	—	—	820,000	0.11%	-Master, Department of Materials Science and Engineering, National Cheng Kung University -Philips Electronic Building Elements Industries (Taiwan) Ltd. -Director of Q.R.A. Center, ChipMOS TECHNOLOGIES INC.	Note 5	—	—	—	—
Assistant President, Q.R.A. Center Liang-Ming Yang (Brian Yang)	R.O.C (Taiwan)	M	2020.7.1	—	—	—	—	—	—	-Bachelor, Department of Industrial and Systems Engineering, Chung Yuan Christian University -Compeq Manufacturing Co., Ltd. -Unicap Electronics Industrial Corp. -Camel Precision Co., Ltd. -Director of Wafer Bump Production Group, ChipMOS TECHNOLOGIES INC.	None	—	—	—	—

Title Name	Nationality	Gender	Date appointed	Shareholding		Shareholding by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at other companies	Other manager who is the spouse or a relative within second degree of kinship			Remarks
				Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
Assistant President, Purchase & Logistics Management Div. Min-Chang Xue (Andy Xue)	R.O.C (Taiwan)	M	2020.11.10	848	—	—	—	—	—	-Bachelor, Department of Industrial Engineering of Management, National Taipei University of Technology -Director of Q.R.A. Center, ChipMOS TECHNOLOGIES INC.	None	—	—	—	—
Senior Director, New Product Development Management Center Peng-Hsien Chu (Vic Chu)	R.O.C (Taiwan)	M	2020.11.10	—	—	—	—	—	—	-Master, Department of Electrical Engineering, National Central University -Director of New Product Development Management Center, ChipMOS TECHNOLOGIES INC.	None	—	—	—	—
Director, Testing Production Group Chih-Cheng Hsieh	R.O.C (Taiwan)	M	2021.02.17	—	—	—	—	—	—	-Bachelor, Department of Information Management, Chung Hua University -Etron Technology Corp. -TaiLin Semiconductor Corp. -Deputy Director of Mixed-Signal Production Division, ChipMOS TECHNOLOGIES INC.	None	—	—	—	—
Manager, Audit Office Ling Cheng	R.O.C (Taiwan)	F	2019.7.12	15,099	—	—	—	—	—	-Bachelor, Finance, Chung Hua University -Deputy Manager, ProMOS TECHNOLOGIES INC. -Internal Audit Officer, ThaiLin Semiconductor Corp.	None	—	—	—	—

Note 1 : Director of ChipMOS U.S.A., Inc.; Deputy Chairman of Unimos Microelectronics (Shanghai) Co., Ltd.; Representative & Director of Hao Hsiang Investment Co., Ltd.; Representative & Director of Chin Hsiang Investment Co., Ltd.; Representative & Director of Hao Yen Investment Co., Ltd.

Note 2 : Director of JMC Electronics Co., Ltd.

Note 3 : Director of ChipMOS U.S.A., Inc.; Supervisor of Unimos Microelectronics (Shanghai) Co., Ltd.; Director of ChipMOS TECHNOLOGIES (BVI) LTD.; Supervisor of ChipMOS EMICONDUSTORS (Shanghai) LTD.; Representative & Director of Tsai Fu Investment Co., Ltd.

Note 4 : Chairman & President of ChipMOS SEMICONDUCTORS (Shanghai) LTD.; Representative & Director of Yung Hsiang Investment Co., Ltd.

Note 5 : Representative & Director of Yung Pei Investment Co., Ltd.

Note 6 : The reasonableness, necessity thereof, and the measures adopted in response thereto of the President and Chairman of the Board of Directors of the Company are the same person:

The Board of Directors is the Company's highest governance unit and the center for making business decisions. It supervises the management, exercise its powers in accordance with laws and regulations, and is being responsible to the Company and its shareholders.

The person who serves the Chairman and President, in order to maximize the Company's value, he must fully grasp the operation information and status, so that the operating efficiency is increased and the decision-making is executed more smoothly.

The Company has long been committed to deepening corporate governance and corporate social responsibility. By increasing the number of independent directors to 5 and setting up functional committees, independent directors are appointed as members of the committee. With its independence and professionalism, it provides board decision-making suggestions and strengthens director supervision and decision quality. More than half of the Company's directors neither employee nor officer of the Company.

### III. Remuneration to Directors (including independent directors), President, and Vice Presidents

#### (I) Remuneration to Directors (including independent directors), President, and Vice Presidents in the Most Recent Year

##### 1. Remuneration to Directors (including independent directors)

Year 2020 (Unit: NT\$ thousands; %)																		
Title	Name	Director's Remuneration						Ratio of the sum of (A), (B), (C), and (D) to net profit after tax (%)		Compensation received as an employee						Ratio of the sum of (A), (B), (C), (D), (E), (F) and (G) to net profit after tax (%)		Remuneration received from non-consolidated affiliates or parent company
		Base compensation (A)		Pension (B)		Director compensation (C)				Business expense (D)								
		Company	Consolidated Entities	Company	Consolidated Entities	Company	Consolidated Entities	Company	Consolidated Entities	Salary, bonus and special allowance (E)	Pension (F)		Employee compensation (G)				Company	
Chairman	Shih-Jye Cheng																	
Director	Teresa Wang (representative, Siliconware Precision Industries Co., Ltd.)																	
	Bright Yeh (representative, Siliconware Precision Industries Co., Ltd.)	4,850	4,850	—	—	7,380	7,380	—	—	0.52%	0.52%	46,407	46,407	1,897	1,897	10,000	10,000	—
Director	Lafair Cho																	
Independent Director	Chin-Shyh Ou																	
Independent Director	Yuh-Fong Tang																	
Independent Director	Tai-Haur Kuo	6,775	6,775	—	—	9,224	9,224	—	—	0.68%	0.68%	—	—	—	—	—	—	—
Independent Director	Kuei-Ann Wen																	
Independent Director	Jing-Shan Aur																	

Note 1: The disclosed compensation content is different from the concept of income defined in Income Tax Act. Therefore, this table shall merely be used for the purpose of information disclosure and shall not be used for taxation.

Note 2: Independent Directors' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks and time spent:

The Company has performance evaluation policies for the Board of Directors that evaluates the performance of the Board of Directors and each functional committee periodically. By the Company's Articles of Incorporation, Directors' remuneration is authorized by the Board of Directors, and based on the degree of participation in the Company's operation and contribution, as well as comparing with industry. If the Company generates profit for the year, the Board of Directors should allocate no more than 0.5% of it as Directors' remuneration based on its approval.

Note 3: Except the above-mentioned figures, the directors of the Company receive remuneration for providing services to all companies in the financial report (such as serving as a consultant for non-employees): None.

### Directors' (including independent directors') Remuneration Scale

Intervals of Compensation Paid to Directors	Directors' Name			
	Total Remuneration (A+B+C+D)		Total Compensations (A+B+C+D+E+F+G)	
	The Company	Consolidated Entities (H)	The Company	Consolidated Entities (I)
Less than NT\$1,000,000	—	—	—	—
NT\$1,000,000 (included) ~ NT\$2,000,000 (not included)	Teresa Wang (representative, Siliconware Precision Industries Co., Ltd.), Bright Yeh (representative, Siliconware Precision Industries Co., Ltd.)	Teresa Wang (representative, Siliconware Precision Industries Co., Ltd.), Bright Yeh (representative, Siliconware Precision Industries Co., Ltd.)	Teresa Wang (representative, Siliconware Precision Industries Co., Ltd.), Bright Yeh (representative, Siliconware Precision Industries Co., Ltd.)	Teresa Wang (representative, Siliconware Precision Industries Co., Ltd.), Bright Yeh (representative, Siliconware Precision Industries Co., Ltd.)
NT\$2,000,000 (included) ~ NT\$3,500,000 (not included)	Chin-Shyh Ou, Yuh-Fong Tang, Tai-Haur Kuo, Kuei-Ann Wen, Jing-Shan Aur, Lafair Cho, Shih-Jye Cheng	Chin-Shyh Ou, Yuh-Fong Tang, Tai-Haur Kuo, Kuei-Ann Wen, Jing-Shan Aur, Lafair Cho, Shih-Jye Cheng	Chin-Shyh Ou, Yuh-Fong Tang, Tai-Haur Kuo, Kuei-Ann Wen, Jing-Shan Aur	Chin-Shyh Ou, Yuh-Fong Tang, Tai-Haur Kuo, Kuei-Ann Wen, Jing-Shan Aur
NT\$3,500,000 (included) ~ NT\$5,000,000 (not included)	—	—	—	—
NT\$5,000,000 (included) ~ NT\$10,000,000 (not included)	—	—	—	—
NT\$10,000,000 (included) ~ NT\$15,000,000 (not included)	—	—	Lafair Cho	Lafair Cho
NT\$15,000,000 (included) ~ NT\$30,000,000 (not included)	—	—	—	—
NT\$30,000,000 (included) ~ NT\$50,000,000 (not included)	—	—	—	—
NT\$50,000,000 (included) ~ NT\$100,000,000 (not included)	—	—	Shih-Jye Cheng	Shih-Jye Cheng
More than NT\$100,000,000	—	—	—	—
Total	9 persons	9 persons	9 persons	9 persons

Note: The disclosed compensation content is different from the concept of income defined in Income Tax Act. Therefore, this table shall merely be used for the purpose of information disclosure and shall not be used for taxation.

## 2. Remuneration to President and Vice Presidents

Year 2020 (Unit: NT\$ thousands; %)														
Title	Name	Salary (A)		Pension (B)		Bonus and special allowance (C)		Employee compensation (D)				Ratio of the sum of (A), (B), (C), (D) to net profit after tax (%)		Remuneration received from non-consolidated affiliates or parent company
								Company		Consolidated Entities		Company	Consolidated Entities	
		Company	Consolidated Entities	Cash	Share	Cash	Share							
President	Shih-Jye Cheng													
Senior Executive Vice President & Chief Operating Officer (Dismissal on July 1, 2020)	Lafair Cho													
Executive Vice President	D.Y. Tsai													
Executive Vice President	Vincent Hsu													
Senior Vice President & Spokesperson	Jesse Huang													
Vice President	Wu-Hung Hsu	48,083	48,083	3,444	3,444	48,825	48,825	22,917	—	22,917	—	5.21%	5.21%	None
Vice President	Jin-Long Fang													
Vice President (Dismissal on February 17, 2021)	Chen-Fang Huang													
Vice President	Ming-Cheng Lin													
Vice President (Dismissal on September 11, 2020)	Chang-Lung Li													
Vice President	Yu-Ying Chen													
Vice President	Silvia Su													

\*Company's President's and Vice Presidents' salary is based on the position and the standard salary of the industry. The bonus is determined in accordance with the Company's profit, individual contribution and performance.

\*The aforementioned pensions are deposited in the amount in accordance with labor-related laws and regulations.

\*The distribution amount of employee compensation of this year is calculated based on the actual distribution ratio of the preceding year.

President' and Vice Presidents' Remuneration Scale

Interval of Compensation Paid to President and Vice Presidents	Name of President/Vice President	
	The Company	Consolidated Entities (E)
Less than NT\$1,000,000	—	—
NT\$1,000,000 (included) ~ NT\$2,000,000 (not included)	—	—
NT\$2,000,000 (included) ~ NT\$3,500,000 (not included)	Chang-Lung Li	Chang-Lung Li
NT\$3,500,000 (included) ~ NT\$5,000,000 (not included)	Chen-Fang Huang	Chen-Fang Huang
NT\$5,000,000 (included) ~ NT\$10,000,000 (not included)	Wu-Hung Hsu, Vincent Hsu, Jesse Huang, Jin-Long Fang, D.Y. Tsai, Ming-Cheng Lin, Yu-Ying Chen, Silvia Su, Lafair Cho	Wu-Hung Hsu, Vincent Hsu, Jesse Huang, Jin-Long Fang, D.Y. Tsai, Ming-Cheng Lin, Yu-Ying Chen, Silvia Su, Lafair Cho
NT\$10,000,000 (included) ~ NT\$15,000,000 (not included)	—	—
NT\$15,000,000 (included) ~ NT\$30,000,000 (not included)	—	—
NT\$30,000,000 (included) ~ NT\$50,000,000 (not included)	Shih-Jye Cheng	Shih-Jye Cheng
NT\$50,000,000 (included) ~ NT\$100,000,000 (not included)	—	—
More than NT\$100,000,000	—	—
Total	12 persons	12 persons

Note: The disclosed compensation content is different from the concept of income defined in Income Tax Act. Therefore, this table shall merely be used for the purpose of information disclosure and shall not be used for taxation.



### 3. Names of managers distributed employee compensation and the status of distribution

Year 2020 (Unit: NT\$ thousands; %)

	Title	Name	Share	Cash	Total	Ratio of the total amount to net profit after tax (%)
Manager	President	Shih-Jye Cheng	—	33,208	33,208	1.4%
	Senior Executive Vice President & Chief Operating Officer (Dismissal on July 1, 2020)	Lafair Cho				
	Executive Vice President	Teng-Yueh Tsai (D.Y. Tsai)				
	Executive Vice President	Yuan-Feng Hsu (Vincent Hsu)				
	Senior Vice President & Spokesperson	Jesse Huang				
	Vice President	Wu-Hung Hsu				
	Vice President	Jin-Long Fang				
	Vice President (Dismissal on February 17, 2021)	Chen-Fang Huang				
	Vice President	Ming-Cheng Lin				
	Vice President (Dismissal on September 11, 2020)	Chang-Lung Li				
	Vice President	Yu-Ying Chen				
	Vice President	Silvia Su				
	Assistant President (New appointment on July 1, 2020)	Liang-Ming Yang (Brian Yang)				
	Assistant President (New appointment on November 10, 2020)	Tung-Pao Lu (TB Lu)				
	Assistant President (New appointment on November 10, 2020)	Min-Chang Xue (Andy Xue)				
	Senior Director (New appointment on November 10, 2020)	Peng-Hsien Chu (Vic Chu)				
	Senior Director (Dismissal on November 10, 2020)	JB Chyi				
	Senior Director (Dismissal on November 10, 2020)	Chao-Tung So				
	Manager	Ling Cheng				

#### (II) Analysis Regarding the Ratio of the Total Remuneration to Net Profit After Tax

1. Analysis regarding the ratio of total remuneration paid to Company's directors (including independent directors), president and vice presidents in the most recent 2 years to net profit after tax:

Item	Ratio of the Total Remuneration to Net Profit After Tax			
	2020		2019	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Directors (including Independent Directors)	1.19%	1.19%	1.02%	1.02%
President and Vice Presidents	5.21%	5.21%	5.28%	5.28%

Note 1: The difference in the ratio of President's and Vice Presidents' remuneration is due to the Company's net profit after tax of NT\$2,367,483 thousand in 2020 and NT\$2,584,161 thousand in 2019.

Note 2: The Company has established Audit Committee on June 28, 2007 and thus supervisor remuneration does not apply.

## 2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

### (1) Directors and Independent Directors

The Company has performance evaluation policies for the Board of Directors that evaluates the performance of the Board of Directors and each functional committee periodically. By the Company's Articles of Incorporation, Directors' remuneration is authorized by the Board of Directors, and based on the degree of participation in the Company's operation and contribution, as well as comparing with industry. If the Company generates profit for the year, the Board of Directors should allocate no more than 0.5% of it as Directors' remuneration based on its approval.

### (2) Managers and Employees

The compensation of the Company's managers compares with the industry standards periodically. Also, it is evaluated based on individual and overall Company's operating performance, strengthening the connection between managers' compensation, the Company's performance and shareholders' equity. Managers' compensation is proposed by Compensation Committee and approved by the Board of Directors.

The Company adopts a job hierarchy system and formulates compensation based on positions, education, experiences, seniority and individual performance. To ensure compensation policies are competitive, the Company compares with the industry standards periodically as well as formulates annual salary adjustment and bonus plan, creating incentives not only to maintain and motivate employees but also attract potential talent.

According to the Company's Articles of Incorporation, if the Company generates profit for the year, it should allocate 10% of it as employee compensation for managers and employees.

#### IV. Implementation of Corporate Governance

##### (I) Board of Directors Meeting Status

Seven Board of Directors meetings (A) held in the most recent year. The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Shih-Jye Cheng	7	—	100.00%	
Director	Teresa Wang (representative, Siliconware Precision Industries Co., Ltd.)	6	1	85.71%	
Director	Bright Yeh (representative, Siliconware Precision Industries Co., Ltd.)	7	—	100.00%	
Director	Lafair Cho	7	—	100.00%	
Independent Director	Chin-Shyh Ou	7	—	100.00%	
Independent Director	Yuh-Fong Tang	7	—	100.00%	
Independent Director	Tai-Haur Kuo	7	—	100.00%	
Independent Director	Kuei-Ann Wen	7	—	100.00%	
Independent Director	Jing-Shan Aur	7	—	100.00%	

Other mentionable items:

I. If there are circumstances occurred during the operation of the Board of Directors, the date of meetings, sessions and contents of motion of the Board of Directors, all independent directors' opinions and the Company's responses to such opinions should be specified:

(I) Circumstances referred to in Article 14-3 of the Securities and Exchange Act:

The Company has established an Audit Committee, and Article 14-3 of the Securities and Exchange Act is not applicable to the Company. Please refer to Page 23-26 of the Annual Report for related information of the operation status of the Audit Committee.

(II) Besides the foregoing items, other resolutions objected by independent directors or subject to a qualified opinion and recorded or declared in writing: None.

## II. Implementation and description of resolutions of which directors refrained from participating due to conflict of interest:

- (I) Resolution of the 6<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors regarding the adjustment of managers' compensation and position in 2020 involves personal interest of Chairman Shih-Jye Cheng and Director Lafair Cho, and thus they did not participate in discussion or voting in accordance with the Company Act. Director Tai-Haur Kuo served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.
- (II) Resolution of the 6<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors regarding the discussion of managers' 2019 performance bonus involves personal interest of Chairman Shih-Jye Cheng and Director Lafair Cho, and thus they did not participate in discussion or voting in accordance with the Company Act. Director Tai-Haur Kuo served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.
- (III) Resolution of the 6<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors regarding managers' 2020 annual performance bonus plan involves personal interest of Chairman Shih-Jye Cheng and Director Lafair Cho, and thus they did not participate in discussion or voting in accordance with the Company Act. Director Tai-Haur Kuo served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.
- (IV) Resolution of the 7<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors regarding retirement and the issue of pensions and bonus of the Company's Senior Executive Vice President and Chief Operating Officer Lafair Cho, and thus Director Lafair Cho did not participate in discussion or voting in accordance with the Company Act. The Chairman made inquiries with other directors present at the meeting. Such resolution was unanimously approved.
- (V) Resolution of the 9<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors regarding distribution of cash employee bonus to managers of 2019 involves personal interest of Chairman Shih-Jye Cheng, and thus he did not participate in discussion or voting in accordance with the Company Act. Director Tai-Haur Kuo served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

## III. Board of Directors performance evaluation frequency, period, scope and method:

The Company established the "Rules for Performance Evaluation of Board of Directors" in 2020 and would evaluate the performance of board of directors and each functional committee by the "Rules for Performance Evaluation of Board of Directors".

### (I) Internal evaluation:

Evaluation frequency	Evaluation period	Evaluation scope	Evaluation method	Evaluation indicators
Once a year	2020/1/1 ~2020/12/ 31	1.Board of Directors 2.Board members 3.Functional committees	1.Internal evaluation of the Board of Directors 2.Self-evaluation by board members 3.Internal evaluation of the functional committees	<p>● Board of Directors:</p> <ol style="list-style-type: none"> <li>1.Participation in the operation of the company.</li> <li>2.Improvement of the quality of the board of directors' decision making.</li> <li>3.Composition and structure of the board of directors.</li> <li>4.Election and continuing education of the directors.</li> <li>5.Internal control.</li> </ol> <p>● Board members:</p> <ol style="list-style-type: none"> <li>1.Alignment of the goals and missions of the company.</li> <li>2.Awareness of the duties of a</li> </ol>

				<p>director.</p> <p>3.Participation in the operation of the company.</p> <p>4.Management of internal relationship and communication.</p> <p>5.The director's professionalism and continuing education.</p> <p>6.Internal control.</p> <p>● Functional committees:</p> <p>1.Participation in the operation of the Company.</p> <p>2.Awareness of the duties of the functional committee.</p> <p>3.Improvement of quality of decisions made by the functional committee.</p> <p>4.Makeup of the functional committee and election of its members.</p> <p>5.Internal control.</p>
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Evaluation Results:

The performance evaluation results of the board of directors, board members and each functional committees are all “exceeding standards” in 2020. All evaluation indicators were operating well as a whole and in line with corporate governance requirements, and effectively strengthen the functions of the Board of Directors and safeguard the rights and interests of shareholders.

The results of the performance evaluation has reported to the Board of Directors in March 16, 2021, and submitted to the members of the compensation committee as a reference materials for the salary and remuneration of individual directors in the future.

(II) External evaluation:

The Company established the “Rules for Performance Evaluation of Board of Directors” in 2020 and will conduct an external evaluation once every three years according to the rule as scheduled.

IV. Measures taken to strengthen the functionality of the Board of Directors within current and the most recent year:

To implement corporate governance and enhance the Company's board functions, and to set forth performance objectives to improve the operation efficiency of the Board of Directors, The Company established the “Rules for Performance Evaluations of the Board of Directors” in 2020, and the Company shall conduct an internal board performance assessment once a year and shall be conducted by an external independent professional institution or a panel of external experts and scholars at least once every three years. In 2021, the Board of Directors approved the appointment of Ms. Silvia Su, Vice President of the Finance & Accounting Management Center, as the Corporate Governance Officer , as the most senior officer to be in charge of corporate governance affairs.

Note: The authority of the Company's supervisors shall be exercised by Audit Committee composed of Independent Directors.

(II) Audit Committee Meeting Status

1. The Company established Audit Committee on June 28, 2007 to exercise the authority required by the Company Act, the Securities and Exchange Act and related laws and regulations.
2. The key points of the Audit Committee's annual review work are as follows:
  - (1) Supervise the effective implementation of the internal control system.
  - (2) Review asset transactions or derivatives trading, loans of funds, endorsements, or provision of guarantees of a material nature and matters in which a director is an interested party.
  - (3) The hiring, dismissal, compensation, independence, and performance evaluation of a certified public accountants.
  - (4) Supervise and review fair presentation of the financial reports.
  - (5) Supervise compliance with relevant laws and management of the existing or potential risks of the Company.
3. Five Audit Committee meetings (A) held in the most recent year. The attendance of the members was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	Chin-Shyh Ou	5	—	100.00%	Audit Committee convener
Independent Director	Yuh-Fong Tang	5	—	100.00%	
Independent Director	Tai-Haur Kuo	5	—	100.00%	
Independent Director	Kuei-Ann Wen	5	—	100.00%	
Independent Director	Jing-Shan Aur	5	—	100.00%	



Other mentionable items:

I. If any of the following circumstances occurred during the operation of the Audit Committee, the dates of meetings, sessions, contents of motion of the Board of Directors, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinions should be specified:

(I) Circumstances stipulated in Article 14-5 of the Securities and Exchange Act

1. The resolutions of the 5<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors (March 10, 2020)

Sessions and contents of motion of the Board of Directors	Resolutions of the Audit Committee	The Company's response to the Audit Committee's opinions should be specified
1. The Company's 2019 Statement of Internal Control.	Approved by all members present in the meeting.	Sent by the Audit Committee, and approved by the Board of Director.
2. The Company's 2019 Business Report and Financial Statements.		
3. Resolution regarding the PwC's internal rotation of the Company's CPA and the evaluation of the independence of the Company's CPA.		

2. The resolutions of the 6<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors (April 23, 2020)

Sessions and contents of motion of the Board of Directors	Resolutions of the Audit Committee	The Company's response to the Audit Committee's opinions should be specified
1. The Company's 2019 Internal Audit Report on Internal Control Over Financial Reporting (ICFR).	Approved by all members present in the meeting.	Sent by the Audit Committee, and approved by the Board of Director.
2. Adoption of Company's 2019 Annual Report on Form 20-F (including the English Consolidated Financial Statements of 2019 prepared by the Company in accordance with the International Financial Reporting Standards).		

3. The resolutions of the 7<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors (May 9, 2020)

Sessions and contents of motion of the Board of Directors	Resolutions of the Audit Committee	The Company's response to the Audit Committee's opinions should be specified
1. The amendments to the Company's "Internal Control System".	Approved by all members present in the meeting.	Sent by the Audit Committee, and approved by the Board of Director.

4. The resolutions of the 9<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors (August 11, 2020)

Sessions and contents of motion of the Board of Directors	Resolutions of the Audit Committee	The Company's response to the Audit Committee's opinions should be specified
1. The letter of guarantee made for importing duty.	Approved by all members present in the meeting.	Sent by the Audit Committee, and approved by the Board of Director.

5. The resolutions of the 11<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors (November 10, 2020)

Sessions and contents of motion of the Board of Directors	Resolutions of the Audit Committee	The Company's response to the Audit Committee's opinions should be specified
1. The amendments to the Company's "Internal Control System".	Approved by all members present in the meeting.	Sent by the Audit Committee, and approved by the Board of Director.
(II) Besides the foregoing items, other resolutions which failed to be approved by the Audit Committee but otherwise approved by a two-third majority of all the directors: None.		
II. Implementation of resolutions of which independent directors refrained from participating due to conflict of interest: There was no such situation in the Audit Committee in 2020.		
III. Communications between independent directors and the Company's internal audit supervisor and CPAs (e.g. items, methods and results of the audits of corporate finance or operations.):		
(I) The internal audit supervisor submits the audit and follow-up reports to independent directors for review by the end of the month next following the completion of the audit items, and reports to the Audit Committee on the audit business at least once a quarterly.		
(II) The CPAs should report and communicate that matters related to the audit or review of the Company's consolidated financial report (the annual parent only financial statement is also included) through the meeting with the independent directors at least once a quarterly.		
(III) The independent directors, internal audit supervisor and CPAs communication items as below in 2020.		
Date	Material Communication Items between internal auditor supervisor	Material Communication Items between the CPAs
2020/02/11	1. Communication on COVID-19 prevention program in ChipMOS (use the internal email)	NA
2020/03/10	1. Report on the audit report of 2019 Q4 2. Report on the Internal Control System Statement of 2019	1. CPAs attended the meeting in person for discussing and communicating with independent directors on 2019 consolidated and parent only financial statement including the scope of the review, the significance of the review and the accountant's review report. 2. The sharing of PCAOB audit case 3. To illustrate rotation rule for CPA and introduce the new CPAs 4. Explain that the competent authority issued regulations requiring company to prepare of its own financial reports.
2020/04/23	1. Report on the internal auditing report on Internal Control over Financial Reporting (ICFR) of 2019	1. 2019 integrated audit results
2020/05/06	1. Report on the audit report of 2020 Q1 2. Report on the amendments to the Internal Control System	1. CPAs attended the meeting in person for discussing and communicating with independent directors on 2020 Q1 consolidated financial statement including the scope of the review, the significance of the review and the accountant's review report

Date	Material Communication Items between internal auditor supervisor	Material Communication Items between the CPAs
		2. Communicate the impact of the COVID-19 on the review work this quarter. 3. 2020 integrated audit plan
2020/08/11	1. Report on the audit report of 2020 Q2	1. CPAs attended the meeting in person for discussing and communicating with independent directors on 2020 Q2 consolidated financial statement including the scope of the review, the significance of the review and the accountant's review report. 2. Reminder and explanations of the important laws, regulations, and bylaws.
2020/11/10	1. Report on the audit report of 2020 Q3 2. Report on the audit report of Procedure for Ethical Management and Guidelines for Conduct report of 2020 3. Report on the audit plan of 2021 4. Report on the amendments to the Internal Control System	1. CPAs attended the meeting in person for discussing and communicating with independent directors on 2020 Q3 consolidated financial statement including the scope of the review, the significance of the review and the accountant's review report. 2. Explain and communicate that the PCAOB requests that the report should disclosure "Critical Audit Matters; CAMs" 3. Reminder and explanations of the important laws, regulations, and bylaws
Result: The matters mention above have been approved by independent directors.		

(III) Corporate Governance Implementation Status and Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons:

Evaluation Item	Implementation Status		Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
1. Does the company establish and disclose the Corporate Governance Best Practice Principles based on “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies”?	V		None
2. Shareholding structure and shareholders' rights (1) Does the company establish internal operating procedures to deal with shareholder suggestions, doubts, disputes and litigation and implement based on the procedure?	V		None

Evaluation Item	Implementation Status		Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2) The Company possesses the list of its major shareholders as well as the ultimate owners of those shares, and has regularly disclosed information of major shareholders and ultimate owners of those in accordance with relevant laws and regulations.
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3) The Company has established “regulations regarding supervision and management of subsidiaries in accordance with relevant regulations of Securities and Futures Bureau and regularly reviews their management reports and conducts due diligence.
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		(4) The Company has established Procedures for Ethical Management and Guidelines for Conduct. and Operating Procedures for Preventing Insider Trading. The Company's personnel shall comply with the provisions of the Securities Exchange Act and shall not use the undisclosed information to engage in insider trading or disclose it to others in order to prevent others from using the undisclosed

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
3. Composition and Responsibilities of the board of directors (1) Does the board of directors develop and implement a diversified policy for the composition of its members?	V		<p>(1) According to the Company's "Corporate Governance Best Practice Principles ", the composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as Company officers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:</p> <p>1. Basic requirements and values: Gender and age.</p> <p>2. Professional knowledge and skills: A professional background, professional skills, and industry experience.</p> <p>All members of the board shall have the knowledge, skills, and experience necessary to</p>	None

Evaluation Item	Implementation Status		Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
			<p>Abstract Illustration</p> <p>perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:</p> <ol style="list-style-type: none"> <li>1. Ability to make operational judgments.</li> <li>2. Ability to perform accounting and financial analysis.</li> <li>3. Ability to conduct management administration.</li> <li>4. Ability to conduct crisis management.</li> <li>5. Knowledge of the industry.</li> <li>6. An international market perspective.</li> <li>7. Ability to lead.</li> <li>8. Ability to make policy decisions.</li> </ol> <p>The members of the Board of Directors of the Company have diversified backgrounds. The Company's Board of Directors was composed of members with rich industrial management experience and academic experience, including professional backgrounds in corporate management, electrical engineering, financial accounting and so on. The Company's Board of Directors has 9 directors, including 5 independent directors, and the</p>

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
			ratio of independent directors was 56%. The independent directors' independence is judged and evaluated in compliance with relevant laws and regulations. 1 independent director' term of office is less than 3 years, 3 independent directors were 3-9 years, 1 independent director was more than 9 years. 1 director served as the Company's manager, and the ratio of directors serve as manager was 11%, and no more than one-third of the number of directors. The Company pays attention to gender equality in the composition of the board of directors. Among the 9 directors, 2 are female directors, and the ratio of female directors was 22%.  The specific management objectives and achievement of the Company's diversity policy and the fulfillment of diversification of members of the Board of Directors please refer to Table 1 below.  The Company's diversity policy and implementation status are also disclosed on the Company's website.	



Evaluation Item	Implementation Status		Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
(2) Does the company voluntarily establish other functional committees in addition to remuneration committee and audit committee?		V	Under discussion and preparation
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?	V	<p>(2) The Company has established Remuneration Committee and Audit Committee pursuant to the laws and will establish other functional committees in consideration of the scale and operation of the Company.</p> <p>(3) ChipMOS established the performance assessment rules and method of Board of Directors and disclosed the aforementioned on Market Observation Post System and the Company's website. The Board of Directors should conduct self-assessment and performance evaluation by questionnaire every year and also assessed by an external independent professional institution or a panel of external experts and scholars at least once every three years.</p> <p>The results of the Board's performance evaluation shall be completed before the end of the first quarter of the following year and submitted to the Board of directors.</p> <p>The results are used as reference for remuneration</p>	None

Evaluation Item	Implementation Status		Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
(4) Does the company regularly evaluate the independence of CPAs?	V	<p>and renewal of individual director.</p> <p>(4) The Company annually evaluate the independence of CPAs. The engagement of the Company's CPAs has been approved by more than half of all the Audit Committee members, and then submitted to and adopted by the Board of Directors. The CPAs are not stakeholders of the Company and strictly adheres to independence.</p> <p>The guidance to evaluate the independence of the CPA as follows:</p> <p>1. Whether Certified Public Accountant has direct or significant indirect financial interests with the Company.</p> <p>2. Whether or not Certified Public Accountant has any financing or guarantees of conduct with the Company or the directors of the Company.</p> <p>3. Whether Certified Public Accountant has a close business relationship and potential employment relationship with the Company.</p> <p>4. Whether Certified Public Accountant or members</p>	None

Evaluation Item	Implementation Status		Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
			<p>Abstract Illustration</p> <p>of their audit team had any positions in the Company as directors, managers or significant influence on the audit during the audit period.</p> <p>5. Whether Certified Public Accountant has any non-audit services to the Company which may directly affect the audit work.</p> <p>6. Whether Certified Public Accountant has an intermediary to issue shares or other securities of the Company.</p> <p>7. Whether Certified Public Accountant has acted as the Company's defender or on behalf of the Company to coordinate conflicts with other third parties.</p> <p>8. Whether Certified Public Accountant has a kinship with the directors, managers of the Company or persons who have a significant influence on the audit work.</p> <p>9. Whether Certified Public Accountant does not assume the Company's external auditor for 7 consecutive years.</p> <p>10. Has anyone in the Company worked with the</p>

Evaluation Item	Implementation Status		Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
		<p>external auditor and within the last year of disassociating from the firm joined pcsc as a director, manager, or officer or another key position that can exert significant influence over the subject matter of the engagement.</p> <p>11. Whether Certified Public Accountant violates the regulations of The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 Integrity, Objectivity and Independence.</p>	
4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	V		None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
			Abstract Illustration	
	Yes	No		
			required for business execution by directors, assisting directors with legal compliance, etc. The qualifications of Corporate Governance Officer meet the requirements of the Company's "Corporate Governance Best Practice Principles" and will complete the required professional education within one year from the appointment, before March 2022. The key points of implementation of corporate governance affairs are as follows: 1. Seven Board of Directors meetings and five Audit Committee meetings held in 2020. 2. One Annual Shareholders' Meeting held in 2020. 3. All board members have completed at least 6 hours of development courses. 4. The Company has purchased Directors and Officers Liability Insurance, and reports to the Board of Directors after renewal.	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Abstract Illustration	
5. Does the company establish a communication channel and establish a designated section on its website for stakeholders (including but not limited to shareholders, employees, clients and suppliers), and properly respond to critical corporate social responsibility issues of concern to stakeholders?	V		<p>The company value our stakeholders and understand their concerns and needs through appropriate communication channels, such as company website, external and internal mailboxes, and social media platforms.</p> <p>The company establishes a section for stakeholder on the company website, and also provide contact information of spokespersons and related business to respond appropriately to critical corporate social responsibility issues of concern to stakeholders.</p>	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has designated KGI Securities Co. Ltd. to deal with shareholder affairs.	None
7. Information disclosure (1) Does the company have a website to disclose both the information relating to finance, business and corporate governance?	V		(1) The Company has established the Chinese/English website (www.chipmos.com) to actively disclose information regarding the Company's finance, business and corporate governance, and relevant information can be also found on Market Observation Post System.	None

Evaluation Item	Implementation Status		Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
(2) Does the company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conferences )?	V		(2) The Company has established the Chinese/English website to webcast investor conferences. The Company has one spokesperson and one deputy spokesperson. The Company's Finance & Accounting Management Center and Strategy and Investor Relations office responsible for corporate information disclosure on Market Observation Post System and the Company's website.
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?		V	(3) The Company announce and report the annual financial statements, and the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline  The Company announce and report the annual financial statements within three months after the end of the fiscal year before the prescribed deadline
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier	V		(1) Employee rights as well as employee wellness: the Company has implemented the Labor Standards Act and relevant regulations, regularly conducted education and training, and established the Employee Welfare Committee to protect
			None

Evaluation Item	Implementation Status		Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
relations, rights of stakeholders, directors' and supervisors' training records, the implementation status of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V	(2) Investor relations: the Company has one spokesperson and one deputy spokesperson, and investor relations office responsible for dealing with recommendations and doubts raised by investors.	None
	V	(3) Supplier relations: the Company has upheld the principle of good faith to maintain the relationship with its suppliers, conducted operations and financial status assessment for the major purchasers to ensure the stability of the purchase, established good relationship with suppliers, and simultaneously developed other possible alternative materials and vendors to increase the flexibility of the source of the purchase.	None
	V	(4) Rights of stakeholders: the Company has established functions of various departments, and maintained smooth communication channels with the stakeholders such as shareholders, employees, clients, suppliers, government and community.	None
	V	(5) Continuing education of directors: the directors and	None



Evaluation Item	Implementation Status		Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
	V	independent directors of the Company have continued attending training courses in accordance with relevant regulations , and related information please refer to Table 2 below. (6) The implementation status of risk management policies and risk evaluation standards: Under the policy of stable operation, the Company follows government regulations and devotes in reducing possible risks through audit actions conducted by internal audit department.	None
	V	(7) The implementation status of customer relations policies: Before engaging in business with others, the Company has taken into account the legality of the clients or other business dealings parties and whether there is any record of dishonesty and avoided transactions with creditors of dishonesty. The Company has produced high-quality products to meet clients' demand for quality and quantity, and maintains good long-term relationship with clients.	None
	V	(8) The status of purchasing liability insurance for	None

Evaluation Item	Implementation Status		Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
			Abstract Illustration  directors and supervisors: The Company has purchased Directors and Officers Liability Insurance and such information has been disclosed on Market Observation Post System.
<p>9. Please indicate improvement status of the results of the corporate governance evaluation issued by TWSE Corporate Governance Center for the most recent year and propose matters which should be given priority and measures as for which have not yet improved:</p> <p>The Company's priority measures and improvements are as follows:</p> <p>(1) In 2020, the Company established the "Rules for Performance Evaluations of the Board of Directors", and complete the board performance evaluation before the end of the first quarter of the following year.</p> <p>(2) In 2020, the Company established the "Corporate Governance Best Practice Principles".</p> <p>(3) In 2021, the Board of Directors approved the appointment of Ms. Silvia Su, Vice President of the Finance &amp; Accounting Management Center, as the Corporate Governance Officer, as the most senior officer to be in charge of corporate governance affairs.</p> <p>(4) The Company keeps enhancing the related corporate governance information's transparency and immediacy in order to implement of the information disclosure transparency.</p> <p>In the future, we will strengthen the efficiency of corporate governance to provide information to the stakeholders.</p>			

Table 1

The specific management objectives and achievement of the Company's diversity policy are as follows:

Management objectives	Progress
Independent Directors form the majority of all directors.	Achieved
At least 1 seats of Directors are females.	Achieved
Number of Directors who concurrently serve as Company managers do not exceed one-third of all Directors.	Achieved

The Company's fulfillment of diversification of members of the Board of Directors:

Name	Title	Gender	Employees Identification	Age(year)			Professional knowledge and skills							Leadership	Decision-making capacity
				51-60	61-70	71-80	Operational judgments	Accounting and financial analysis	Management administration	Crisis management	Industry knowledge	International market perspective			
Shih-Iye Cheng	Chairman	M	V		V		V	V	V	V	V	V	V	V	
Teresa Wang	Director	F			V		V	V	V	V	V	V	V	V	
Bright Yeh	Director	M		V			V		V	V	V	V	V	V	
Lafair Cho	Director	M		V			V		V	V	V	V	V	V	
Chin-Shyh Ou	Independent Director	M			V		V	V	V	V	V	V	V	V	
Yuh-Fong Tang	Independent Director	M			V		V		V	V	V	V	V	V	
Tai-Haur Kuo	Independent Director	M		V			V		V	V	V	V	V	V	
Kuei-Ann Wen	Independent Director	F		V			V		V	V	V	V	V	V	
Jing-Shan Aur	Independent Director	M				V	V		V	V	V	V	V	V	

Table 2

Directors' continuing education in 2020:

Name	Title	Date	Organizer	Course Name	Length of the curriculum
Shih-Jye Cheng	Chairman	2020/11/10	Taiwan Corporate Governance Association	Ethical Corporate Management and Corporate Social Responsibility The Response and Application of the Board of Directors' Evaluation of Corporate Governance	3
Teresa Wang	Director	2020/11/10	Taiwan Corporate Governance Association	Ethical Corporate Management and Corporate Social Responsibility The Response and Application of the Board of Directors' Evaluation of Corporate Governance	3
Bright Yeh	Director	2020/11/10	Taiwan Corporate Governance Association	Ethical Corporate Management and Corporate Social Responsibility The Response and Application of the Board of Directors' Evaluation of Corporate Governance	3
Lafair Cho	Director	2020/11/10	Taiwan Corporate Governance Association	Ethical Corporate Management and Corporate Social Responsibility The Response and Application of the Board of Directors' Evaluation of Corporate Governance	3
Chin-Shyh Ou	Independent Director	2020/11/10	Taiwan Corporate Governance Association	Ethical Corporate Management and Corporate Social Responsibility The Response and Application of the Board of Directors' Evaluation of Corporate Governance	3
Yuh-Fong Tang	Independent Director	2020/11/10	Taiwan Corporate Governance Association	Ethical Corporate Management and Corporate Social Responsibility The Response and Application of the Board of Directors' Evaluation of Corporate Governance	3
Tai-Haur Kuo	Independent Director	2020/11/10	Taiwan Corporate Governance Association	Ethical Corporate Management and Corporate Social Responsibility The Response and Application of the Board of Directors' Evaluation of Corporate Governance	3
Kuei-Ann Wen	Independent Director	2020/11/10	Taiwan Corporate Governance Association	Ethical Corporate Management and Corporate Social Responsibility The Response and Application of the Board of Directors' Evaluation of Corporate Governance	3
Jing-Shan Aur	Independent Director	2020/11/10	Taiwan Corporate Governance Association	Ethical Corporate Management and Corporate Social Responsibility The Response and Application of the Board of Directors' Evaluation of Corporate Governance	3

(IV) Composition, Responsibilities and Operations of the Remuneration Committee

1. The 4<sup>th</sup> Remuneration Committee

Title	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence criteria (Note)										Number of other public companies in which the individual is concurrently serving as an remuneration committee member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Tai-Haur Kuo	V		V	V	V	V	V	V	V	V	V	V	V	1	
Independent Director	Yuh-Fong Tang			V	V	V	V	V	V	V	V	V	V	V	1	
Independent Director	Chin-Shyh Ou	V	V	V	V	V	V	V	V	V	V	V	V	V	1	

Note: Compensation Committee Members, during the two years before being elected or during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Act.
6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company.
7. Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent).
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company.
9. Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NT\$500,000"
10. Not been a person of any conditions defined in Article 30 of the Company Act.

## 2. Operation of the Remuneration Committee

### (1) The purpose of the Remuneration Committee:

- A. Establish and regularly review the performance targets of the directors and managers as well as policies, systems, standards and structure of remuneration.
- B. Supervise the management of the Company's remuneration of directors and managers.

### (2) Members: The Remuneration Committee includes three members who are all independent directors .

### (3) The tenure of the third Remuneration Committee starts from June 10, 2019 to June 09, 2022. Six Remuneration Committee meetings (A) held in the recent year. The attendance of the directors was as follows:

Title	Name	Attendance in person(B)	Attendance by proxy	Attendance rate (%) (B/A)	Remarks
Convener	Tai-Haur Kuo	6	0	100%	
Member	Yuh-Fong Tang	6	0	100%	
Member	Chin-Shyh Ou	6	0	100%	

Other mentionable items:

I. If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee's proposals, it should specify the date of meeting, sessions, content of the motion, resolution by the Board of Directors and the Company's response to the Remuneration Committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation Committee, the circumstance and cause for the difference shall be specified): None.

II. Resolutions of the Remuneration Committee objected by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion of the Remuneration Committee, all members' opinions and the response to members' opinion should be specified: None.

III. Meeting date, period, proposal details, resolution result in the past year:

Date	Period	No.	Proposal Details	Resolution Result
2020/3/10	4 <sup>th</sup> term, 4 <sup>th</sup> meeting	1	The proposal for the distribution of 2019 employees' and directors' remuneration.	All members approved
		2	The proposal for the salary adjustment of all directors in 2020.	All members approved
2020/4/23	4 <sup>th</sup> term, 5 <sup>th</sup> meeting	1	The proposal for 2019 performance evaluation, position salary and performance bonus of manager.	All members approved
			Discussion on the 2020 annual performance bonus plan of managers.	All members approved
2020/5/6	4 <sup>th</sup> term, 6 <sup>th</sup> meeting	1	Discussion on the pension and extra bonus of retired manager.	All members approved
		2	Discussion on salary verification for job adjustment of manager.	All members approved
2020/6/9	4 <sup>th</sup> term, 7 <sup>th</sup> meeting	1	The proposal for the amount of 2019 directors' remuneration.	All members approved
		2	Discussion on the salary verification of new manager.	All members approved

Date	Period	No.	Proposal Details	Resolution Result
2020/8/11	4 <sup>th</sup> term, 8 <sup>th</sup> meeting	1	The proposal for the amount of 2019 managers' remuneration.	All members approved
2020/11/10	4 <sup>th</sup> term, 9 <sup>th</sup> meeting	1	Discussion on the monthly pay and attendance fee for Board of Director in 2021.	All members approved
		2	Discussion on the functional committee attendance fee in 2021.	All members approved
		3	Discussion on the salary verification of new promoted manager.	All members approved
		4	Discussion on the resignation of manager and the salary verification of successor.	All members approved
		5	Discussion on the amendments to "Rules for Performance Evaluations of Board of Directors", performance evaluation indicators and scoring standards of the board of directors.	All members approved
6 times				

Follow-up to the result of the Remuneration Committee:

Submitted the resolution to the board of directors and resolved.

(V) Performance of social responsibilities, any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance

Evaluation Item	Implementation Status		Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed Companies and Reasons
	Yes	No	
1. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	V		The company has conducted risk assessments and formulated relevant risk management policies for operational risks, climate change risks, information security risks, financial risks, supply chain risks and legal compliance risks.  None of significant deviation
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		The company established ChiPMOS CSR committee, and set up Corporate Social Responsibility Practice Guideline by the board; ChipMOS chairman acted as the Chairperson and be the top of management executives of CSR committee, and the key members are composed of the vice president of each business unit; CSR committee is responsible for setting up sustainable strategies and organizing corporate sustainable activities, and regularly reviewing CSR performance; the company publishes annual CSR report to show yearly performance and provide its to the board.  None of significant deviation
3. Environmental Topic (1) Does the company establish a proper environmental management system based on the	V		(1) To enhance the level of environmental management and fulfill the responsibility of corporate citizenship,  None of significant deviation



Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed Companies and Reasons
	Yes	No	Abstract Illustration	
characteristics of their industries?			<p>the Company passed the examination of ISO 140001 environmental management system since established, and promoted QC-080000 product hazardous substances process management system certification in obey customer's requirement.. We have comprehensively promoted environmental protection related system verification in environmental friendliness, including ISO14067 carbon footprint, ISO14046 water footprint, ISO50001 energy management system, ISO14051 material flow cost accounting, in line with international trends and customer requirements, derived from the production process. Air pollution, water pollution, and waste, in addition to obtaining relevant licenses to operate according to their requirements, are actively taking many measures to pursue sustainable environmental protection, include of</p> <p>1. Promote environmental policy: Continuing to educate employees and communicate through the company's official website, committing to the intention of exhaust, wastewater and waste</p>	

Evaluation Item	Implementation Status		Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed Companies and Reasons
	Yes	No	
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?			<p>pollution prevention and water power reduction control.</p> <p>2. Reduction of air pollution emissions: In terms of air quality, the goal of reducing the air pollution emissions by improving the treatment efficiency of the control equipment, such as the addition of zeolite runners and RTO high-efficiency air pollution control, reduction rate above 90%</p> <p>3. Water/wastewater reduction and recovery: Continuously improve the recovery rate of process wastewater in the plant to meet local requirement ,above 85% recycle rete and rainwater to the cooling tower and public water.</p> <p>4. Waste reuse: Promote the process source to optimize the use of raw materials and waste from incineration / landfill to reuse, recycle rate above 20%</p>
	V		<p>(2) The Company established a management mechanism for using re-use and recycling of electricity, water resources and materials, and has continued to improve the source management and energy conservation and</p> <p>None of significant deviation</p>

Evaluation Item	Implementation Status		Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed Companies and Reasons
	Yes	No	
(3) Does the company assess the potential risks and opportunities of climate change now and in the future, and adopt climate-related cascading measures?			<p>waste reduction. In the manufacturing process, the requirements for efficiency improvement and specification adjustment of supply facilities are targeted at "energy saving" and "decrease", such as air conditioning energy saving, installation of energy saving lighting (LED), increasing the efficiency of clean room circulation fans (FFU), promoting the process of improving energy saving and waste reduction process, solar green power generation, process wastewater and rainwater recovery and through the energy management, material flow cost accounting verification and green building, green factory mark, in order to reduce the load of environmental impact, towards circular economy and zero pollution, energy saving rate above 1%.</p>
	V		<p>(3) The company is committed to reducing greenhouse gas emissions. About 97% of carbon emissions are from electricity. Therefore, it introduced the ISO50001 energy management system and is committed to reducing carbon emissions. The 1st solar power system was established in 2011 and merged</p> <p>None of significant deviation</p>

Evaluation Item	Implementation Status		Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed Companies and Reasons
	Yes	No	
(4) Does the company count greenhouse gas emissions, water consumption and total weight of waste in the past two years and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?	V		<p>into the factory's power system; the second one will be installed in 2018.</p> <p>(4) The Company pay attention to the impact of climate change on operational activities. In addition to the implementation of ISO 14064 greenhouse gas inventory annually since 2013, the Company promoted the energy-saving measures, introduced the energy management system, and passed the examination of ISO 50001. In response to clients and meet their expectations of low-carbon products, the Company implement product carbon footprint and water footprint inventory to reduce the emission of product carbon. Another, we push the "Materials Flow Cost Accounting management (ISO 14051)" in 2016 and 2017 to meet the trend of recycle economics, the relevant information to refer CSR report.</p> <p>None of significant deviation</p>
<b>4. Social Topic</b> (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		<p>(1) The Company complied with local labor laws and according to the international labor and human rights standards of "Responsible Business Alliance" (RBA), incorporated humanized management, developed</p> <p>None of significant deviation</p>

Evaluation Item	Implementation Status		Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed Companies and Reasons
	Yes	No	
(2) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	V	<p>written employee policies and published it in the company's employee bulletin board so that employees may query and understand. Human resources management center also kept abreast of the amendment to labor laws, timely adjusted management system, so that all the employees' labor rights and interests would be protected.</p> <p>(2) The Company has established a reasonable employee welfare policy (including compensation, vacation and other benefits) and prescribed related details in personnel regulations. In addition, the Company stipulated the profits policy of employees in the Company's Articles of Incorporation and regularly implement salary adjustments based on the Company's operating conditions and employee performance to return operating results to employees.</p>	None of significant deviation
	V	<p>(3) In addition to that the Company established policies to protect employees' safety and health, the Company promoted the ISO 45001 occupational safety and health management system to enhance employees' safety. In the area of occupational safety and health</p>	None of significant deviation
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?			

Evaluation Item	Implementation Status		Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed Companies and Reasons
	Yes	No	
	Abstract Illustration		
			management, we focus on "workplace safety" and "labor health" and actively promote the division of electrical explosion-proof areas and risk reduction, risk assessment and classification management of chemical exposure hazards, human factors engineering, etc. through appropriate design, engineering and administrative control, protective maintenance and safe operating procedures and safety knowledge training to reduce, eliminate and prevent workplace hazards, and implement training drills through emergency procedures to minimize the impact of property and injury, set occupational safety and health plans every year, and implement education and training according to the plan and the monitoring of the working environment, and the free health check of the employees, the health promotion activities, the Ministry of Science and Technology Science Park Administration and the National Health Bureau awarded the "Operational Safety and Health Excellent Unit" and "Healthy Workplace Self-certification" mark And weight loss performance groups and

Evaluation Item	Implementation Status		Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed Companies and Reasons
	Yes	No	
(4) Does the company provide its employees with career development and training sessions?	V		<p>individual awards, successfully creating a safe and healthy professional environment.</p> <p>(4) The Company offered a complete six category of courses, so that each employee at all stages has comprehensive training opportunities, and provided employees with subsidies to participate in external training courses. The Company provided employees with rich and diverse internal and external resources so that employees' careers have opportunities to grow.</p> <p>1. New employee orientation: to enhance the understanding of the Company's product organization, business direction and core values of understanding and recognition.</p> <p>2. Engineering technology: in line with the strategic direction of to establish engineering and technical courses in order to lay a professional cornerstone and enhance the knowledge; to establish the Company's BU learning blueprint with the concept of development of engineer's professional ability and to establish systematic training courses, and to promote the effective inheritance of knowledge and</p> <p>None of significant deviation</p>

Evaluation Item	Implementation Status		Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed Companies and Reasons
	Yes	No	
			<p>Abstract Illustration</p> <p>experience.</p> <p>3. Quality management: to promote the Company's quality system.</p> <p>4. Environmental safety and work health: to make employee acquire qualified license and have related knowledge of right working environmental safety.</p> <p>5. Leadership management: according to the management's required management behavior and function, in line with the company's annual policy and expectation, and as the base of learning and development planning.</p> <p>6. Work performance: to provide employee with the training of relevant skills required for work in order to enable them to work fully by using what they learned.</p> <p>The Company rewarded the silver of certification in Taiwan Train Quality System by Workforce Development Agency, Ministry of Labor in 2017. The Company continued to improve the training quality and process. It was re-awarded the silver certification in 2017. This award demonstrates the training quality</p>



Evaluation Item	Implementation Status		Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	
<p>(5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' rights and consumer appeal procedures?</p> <p>(6) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?</p>	V		<p>and performance of ChipMOS. It's also the best evidence that the company cultivate talents in both general knowledge and expertise. Commitment to cultivating its talents and enhancing its expertise.</p> <p>(5) The Company passed many international standards, including IATF 16949, ISO 9001, QC 080000, ISO 14001, ISO 50001, ISO 17025, ISO 27001, ISO 45001, ANS/ESD S20.20 and ISO 26262.</p>
	V		<p>(6) When evaluating new suppliers, the Company follows the purpose of the RBA and the relevant guidelines to investigate whether it has the concept of environmental protection and corporate responsibility, good corporate citizenship, and whether there is any record of environmental and social impact. The supplier would be asked to report and improve the results, and confirm the current actual implementation if the supplier has related records.</p>
5. Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company?	V		<p>2019 ChipMOS Corporate Social Responsibility Report followed the quality principles required by GRI Standards. To ensure quality of information disclosure,</p>

Evaluation Item	Implementation Status		Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed Companies and Reasons
	Yes	No	
Has the said Report acquire 3rd certification party verification or statement of assurance?			the report has been verified by the BSI Taiwan on June 2, 2020, and was followed GRI Standards core options and with type II High level of AA1000AS(2008).
6. If the company has established the corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any deviation between the Principles and their implementation: The Company has established Corporate Social Responsibility Practice Guideline, and was implemented after adoption by resolution of the board of directors on August 13, 2013, and the second amendment was passed by the Board on April 23, 2020. The relevant operations were in accordance with the purpose of corporate social responsibility.			
7. Other important information to facilitate better understanding of the company's corporate social responsibility practices: The Company actively participated in social environmental welfare activities, took the initiative to participate in the fire and environmental protection activities organized by the competent authorities, such as assisting 119 to expand fire prevention, public toilets and beach adoption, participate in environmental protection and beach cleansing, encouraging employees to enter the community to clean the street, helping charity clean the environment, Environmental Education to the partial township Elementary School, donation of materials, blood donation, long-term adoption of Tainan Science Park Greenland and Hsinchu Science Park sports park and air quality purification area to demonstrate the determination of working safety and environmental protection, and won the awards from relevant authorities. (1) Since 2014 he Company was awarded "Breen Building" by Ministry of the interior in Tainan & Hsinchu Plants (2) Since 2014 he Company was awarded "Breen Factory" by Ministry of Economic Affairs in Tainan Plant (3) Seven consecutive years from 2014 to 2020 the Company was awarded "Excellent Organization of Adoption of Air Quality Ourification Area" and "Contribution Award " by the Environmental Protection Agency. (4) Four consecutive years from 2016 to 2019 the Company passed the examination of Environmental Protection Administration and was rewarded 25th to 27th ROC Enterprise Environmental Protection Award and the 1 <sup>st</sup> National Enterprise Environmental Protection Award "Gold Award" and			

Evaluation Item	Implementation Status		Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed Companies and Reasons
	Yes	No	
<p>“Honor Award” ..</p> <p>(5) In 2016 and 2018~2019, the Company was awarded the "Workplace Safety and Health Excellent Unit Safety Model" by the Southern Tainan Science Park Bureau.</p> <p>(6) In 2017-2019, the Company was awarded the "Environmental Protection Excellence Project" by the Southern Tainan Science Park Bureau.</p> <p>(7) In 2017-2020, the Company was awarded the “Excellent Green Purchasing Enterprise” by Tainan City and Hsinchu County Environmental Protection Bureau.</p> <p>(8) In 2017-2019, the Company was awarded the "High-Quality Unit for Road Recognition" by the Hsinchu County Environmental Protection Bureau.</p> <p>(9) In 2020 the Company was awarded the "Energy Modwl Award". by TSIPA.</p> <p>(10) In 2020 the Company was awarded the "Energy Benchmark Award". by Tainan City County Environmental Protection Bureau.</p> <p>(11) In 2020 the Company was awarded the " Top Green Companies in Asia". by ACES</p> <p>(12) In 2020 the Company was awarded the " 2020 TCSA Top 50 Corporate Sustainability Award" and ” “Corporate Sustainability Report Platinum Awards”. by GCSA&amp;TCSA.</p>			

(VI) Implementation of Ethical Corporate Management and Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons:

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company establish an ethical corporate management policy approved by the board of directors, and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board and senior management to implement the policies?</p>	V	<p>(1) The Company has established the “Procedures for Ethical Management and Guidelines for Conduct” approved by the Board of Directors, which clearly defines the ethical management policies and practices and requires the employees including directors and the top management team to implement the Ethical Management policies. Please see the Major Internal Policies Area of Corporate Governance Area on the company's website for the policy.</p>	None of deviation
<p>(2) Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for</p>	V	<p>(2) The Company has established an assessment mechanism for the risk of unethical conduct, assessing business activities with a higher risk of unethical behaviors within the business scope once a year, adopting accordingly programs to forestall unethical conduct. In the “Procedures</p>	None of deviation

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?			
(3) Does the company specify operating procedures, guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?	V		for Ethical Management and Guidelines for Conduct” and “Regulations Governing Professional Moral Conduct”, it is clearly stated that the all employees, including directors and top management, are strictly prohibited from offering or accepting bribes, providing illegal political donations, improper charitable donations or sponsorship, it is forbidden to infringe on intellectual property rights, to have improper relations with third parties, to prohibit transactions that violate the Fair Trading Law, and to arbitrarily release material inside information without the company's consent. (3) The Company has established the “Procedures for Ethical Management and Guidelines for Conduct” approved by the Board of Directors, which clearly defines the operating procedures and guidelines for preventing various types of unethical conduct, and has established a complaint policy including complaint channels and processing procedures. The internal audit
			None of deviation

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
			based on the results of assessment of the risk of involvement in unethical conduct devises relevant audit plans and examines accordingly the compliance with the prevention programs. The results of examination put down in writing in the form of an audit report to be submitted to the board of directors to confirm the effectiveness of the prevention plan.
2. Implementation of ethical corporate management (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?  (2) Does the company establish a dedicated unit under the board of directors to promote ethical corporate management, and periodically (at least once a year) report to the board of directors and supervise the implementation of the ethical management policy and unethical conduct prevention plan?	V		(1) Before the transactions, the Company assesses the information of counterparties and excludes the one with the unethical conduct and regulated clearly in the business contracts the clause of business conduct and ethics. (2) The Legal Office will promote and report the supervision and implementation status of the ethical management policy and unethical conduct prevention plan to the Board of Directors once a year. The promotion items as below in 2020, (a) Amendments of the "Procedures for Ethical
	V		None of deviation  None of deviation

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	Y		<p>Management and Guidelines for Conduct”</p> <p>(b) Promotion of relevant laws and regulations such as “Procedures for Ethical Management and Guidelines for Conduct” and doing the on line self-exam on indirect employees to understand their familiarity with relevant laws and regulations of ethics laws.</p> <p>(c) Conduct a questionnaire survey on the conduct of conflict of interest between the employees and the Company.</p>
	V		<p>(3) According to the “Procedures for Ethical Management and Guidelines for Conduct” and “Regulations Governing Professional Moral Conduct”, if in the course of conducting company business, any personnel of the company discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is</p> <p>None of deviation</p>

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company have effective accounting system and internal control systems set up to facilitate ethical corporate management, does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results, and does it audit compliance with			likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the Legal Office, and the immediate supervisor shall provide the personnel with proper instructions. In 2020, a questionnaire survey on the prevention of conflicts of interest was conducted on the employees, and the results of the survey were handled in accordance with the relevant regulations of the “Procedures for Ethical Management and Guidelines for Conduct”. In addition, when a director attending the board of meeting has any agenda item that conflicts with his own interests, the director will not participate in the discussion and vote on that item.	None of deviation
	V		(4) The Company has established an effective accounting system and internal control system, and the Audit Office regularly checks it based on the risk assessment results. The audit and follow-up are submitted to the board of directors	



Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
<p>the unethical conduct prevention plan or commission a CPA to perform the audit?</p> <p>(5) Does the company regularly hold internal and external educational trainings on ethical corporate management?</p>	V	<p>as audit reports.</p> <p>In addition, the CPA conducts an audit of internal control in accordance with the "SOX404 Act", which includes the five elements of COSO.</p> <p>(5) In 2020, the Company arrange relevant training to implement ethics, detailed as follows:</p> <p>(a) Promote ethical laws and regulations related to "Procedures for Ethical Management and Guidelines for Conduct" to all employees 3 times.</p> <p>(b) 6% of indirect employees were selected to conduct online self-exam to understand their familiarity with relevant ethic laws and regulations, and pass the test to reach 100%.</p> <p>(c) Conduct a questionnaire survey on the conduct of conflict of interest between the employees and the Company.</p> <p>(d) The number of participants and total hours of ethic operation courses were 307 and 534(hours), respectively.</p>	None of deviation

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons																				
	Yes	No																					
			<table border="1"> <thead> <tr> <th>Course Title</th><th>Method</th><th>Number of attendees</th><th>Training Hours</th></tr> </thead> <tbody> <tr> <td>Quality courses (RBA) for new employee orientation</td><td>classroom</td><td>163</td><td>136</td></tr> <tr> <td></td><td>e-learning</td><td>85</td><td>71</td></tr> <tr> <td>RBA course</td><td>Entity</td><td>50</td><td>300</td></tr> <tr> <td>Corporate Ethic Management and Corporate Social Responsibility</td><td>Entity</td><td>9</td><td>27</td></tr> </tbody> </table>	Course Title	Method	Number of attendees	Training Hours	Quality courses (RBA) for new employee orientation	classroom	163	136		e-learning	85	71	RBA course	Entity	50	300	Corporate Ethic Management and Corporate Social Responsibility	Entity	9	27
Course Title	Method	Number of attendees	Training Hours																				
Quality courses (RBA) for new employee orientation	classroom	163	136																				
	e-learning	85	71																				
RBA course	Entity	50	300																				
Corporate Ethic Management and Corporate Social Responsibility	Entity	9	27																				
3. Operation of integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		<p>None of deviation</p> <p>(1) The company has established the "Procedures for Ethical Management and Guidelines for Conduct" and stipulates that if any employee of the company is found to have unethical behaviors or misconducts, they can report it via independent mailbox at any time. (audit_committee@chipmos.com) The complaint incidents to the independent Audit office for investigation.</p>																				
(2) Does the company establish standard operating	V		<p>None of deviation</p> <p>(2) The company has established the "Procedures</p>																				

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	
procedures for confidential reporting on investigating accusation cases?			
(3) Does the company provide proper whistleblower protection?	V	<p>for Ethical Management and Guidelines for Conduct", which clearly regulates the standard handling procedures after the acceptance of complaints, follow-up measures to be adopted after investigations, and related confidentiality regime.</p> <p>(3) The company measures the identity of the complainant and the content of reported cases confidential and protects the informer from inappropriate disciplinary actions or any of retaliations due to the report.</p>	None of deviation
<p>4. Strengthening information disclosure</p> <p>(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and the Market Observation Post System?</p>	V	<p>(1) The company has placed relevant regulations on business ethics on the company's internal website for all employees could be check any time, and the company also discloses the information about implementation of relevant regulations on the its external website and Market Observation Post System. The company's web-site is as follows:  <a href="https://www.chipmos.com/chinese/csr/editor.asp">https://www.chipmos.com/chinese/csr/editor.asp</a></p>	None of deviation

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
			x?CCID=42
5. If the company has established the ethical corporate management policies based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," please describe any discrepancy between the policies and their implementation: The Company has established the Procedures for Ethical Management and Guidelines for Conduct, and all employees including directors and the top management team to implement the Ethical Management policies. There is none of deviation between the policies and their implementation.			
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies: (e.g., review and amend its policies) (1) In 2020, there was one complaint about unethical conduct, and it was investigated through internal audit that the complaint did not violation of ethical conduct. (2) Amendments of the "Procedures for Ethical Management and Guidelines for Conduct".			

- (VII) If the Company has established Corporate Governance Principles and Related Guidelines, Disclose the Means of Accessing this Information:  
The Company established the "Corporate Governance Best Practice Principles" and disclosed relevant information on the Company's website and Market Observation Post System.
- (VIII) The Company shall disclose other significant information which may improve the understanding of corporate governance and operation:  
None.

(IX) Internal Control System Execution Status

1. Statement on Internal Control

ChipMOS TECHNOLOGIES INC.  
Internal Control System Statement

Date: March 16, 2021

Based on the findings of a self-assessment, ChipMOS TECHNOLOGIES INC. states the following with regard to its internal control system during the year 2020:

- I. The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and management, and that the Company has already established such a system. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), the reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws .
- II. Internal control regulations possess inherent shortcomings. Regardless of its design, an effective internal control system can only provide reasonable assurance of the three objectives as mentioned above. Furthermore, its effectiveness may change due to changes in the Company's environment and circumstances. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: 1. Control Environment, 2. Risk Assessment, 3. Control Activities, 4. Information and Communication, and 5. Monitoring Activities. Each of the elements in turn contains several items. Please refer to " Regulations" for details.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- V. Based on the findings of such evaluation, the Company believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance on our operational effectiveness and efficiency, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
- VI. This statement, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Board of Directors on March 16, 2021 in the presence of 9 directors, who concurred unanimously.

ChipMOS TECHNOLOGIES INC.

Chairman and President: Shih-Jye Cheng

2. If the Company engages CPAs to examine its internal control system, it shall disclose the CPA examination report : Not applicable.

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement.: None.

(XI) Important Resolutions Adopted in Shareholders' Meeting and Board of Directors' Meetings in the Most Recent Year and Up to the Date of Publication of the Annual Report

(I) The major resolutions approved by the 5<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors (March 10, 2020) are as follows:

- (1) The Company's business report and financial statements of fiscal year 2019.
- (2) Earnings distribution plan for fiscal year 2019.
- (3) Amendments to Articles of Incorporation.
- (4) Amendments to Rules of Procedure for Shareholders Meetings
- (5) Amendments to Procedure for Election of Directors and Independent Directors
- (6) Release the prohibiting on Directors from Participation in Competitive Business under Article 209 of the Company Act.
- (7) Matters related to the 2020 annual shareholders' meeting.
- (8) The time and place to submit shareholder's proposals and to nominate independent director candidates for the 2020 annual shareholders' meeting.

(II) The major resolutions approved by the 6<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors (April 23, 2020) are as follows:

- (1) The Company's 2019 Annual Report Form 20-F (including the English 2019 consolidated financial statements prepared by the Company in accordance with the International Financial Reporting Standards).
- (2) Matters related to the 2020 annual shareholders' meeting (additional item).
- (3) To authorize the chairman to change the venue of 2020 annual shareholders' meeting.

(III) The major resolutions approved by the 7<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors (May 6, 2020) are as follows:

- (1) The Company's Consolidated Financial Statements of Q1, 2020.
- (2) The Company's senior executive vice president and operating officer apply for retirement.
- (3) Discussion the Company's operation manufacturing center officer.

(IV) The major resolutions approved by the 8<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors (June 9, 2020) are as follows:

- (1) Determination of the record date for ex-dividend.

- (V) The major resolutions approved by the 9<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors (August 11, 2020) are as follows:
- (1) The Company's Consolidated Financial Statements of Q2, 2020.
  - (2) The Company's I.T.M. center officer apply for resignation.
- (VI) The major resolutions approved by the 11<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors (November 10, 2020) are as follows:
- (1) The Company's Consolidated Financial Statements of Q3, 2020.
  - (2) Change of research and development officer of the Company.
  - (3) Retirement of vice president of the Company.
- (VII) The major resolutions approved by the 12<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors (March 16, 2021) are as follows:
- (1) The Company's business report and financial statements of fiscal year 2020.
  - (2) Earnings distribution plan of fiscal year 2020.
  - (3) Amendments to Articles of Incorporation.
  - (4) Amendments to the Rules of Procedure for Shareholders' Meeting.
  - (5) Amendments to the Rules for Election of Directors and Independent Directors.
  - (6) Resolution regarding election of the 10th Board of Directors (including independent directors) at the 2021 annual shareholders' meeting.
  - (7) Resolution regarding the nomination of director and independent director candidates for election at the 2021 annual shareholders' meeting.
  - (8) Resolution to release the prohibition on the 10th Board of Directors (including independent directors) from participation in competitive business under Article 209 of the Company Act.
  - (9) Matters related to the 2021 annual shareholders' meeting.
  - (10) The time and place to submit shareholder's proposals and to nominate director (including independent director) candidates for the 2021 annual shareholders' meeting.
  - (11) Announcement of the appointment of corporate governance officer of the Company.
- (VIII) The major resolutions approved by the 13<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors (April 20, 2021) are as follows:
- (1) The Company's 2020 Annual Report on Form 20-F (including the English 2020 consolidated financial statements prepared by the Company in accordance with the International Financial Reporting Standards).
  - (2) To release the prohibition on officers from participation in competitive business under Article 32 of the Company Act.
  - (3) To authorize the chairman to change the venue of 2021 annual shareholders' meeting.

(IX) The major resolutions adopted by the 2020 annual shareholders' meeting (June 9, 2020):

(I) Matters for Ratification

(1) Adoption of the Financial Statements for fiscal year 2019.

Implementation status: Resolution was passed.

(2) Adoption of the earnings distribution plan for fiscal year 2019.

Implementation status: Resolution was passed, the Company has completed the distribution of earnings on July 31, 2020.

(II) Matters for Discussion

(1) Amendments to Articles of Incorporation

Implementation status: Resolution was passed, and the amended Articles of Incorporation was approved by the Competent Authority on June 24, 2020.

(2) Amendments to the Rules of Procedure for Shareholders' Meeting.

Implementation status: Resolution was passed, and the amended Rules of Procedure for Shareholders' Meeting became effective on June 9, 2020.

(3) Amendments to the Rules for Election of Directors and Independent Directors.

Implementation status: Resolution was passed, and the amended Rules of Procedure for Shareholders' Meeting became effective on June 9, 2020.

(III) Other Proposals

(1) Release the Prohibition on the Directors from Participation in Competitive Business under Article 209 of the Company Act.

Implementation status: Resolution was passed, and lifting the non-competition prohibition by the director, namely Bright Yeh.

(X) Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors: None.

(XI) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, President, and Officers of Accounting, Finance, Internal Audit, Corporate Governance Officer and R&D:

March 31, 2021

Officer	Name	Date appointed	Date Resignation or Dismissal	Reason
Research and Development officer	JB Chyi	2019/4/25	2020/11/10	Change in duties



## V. Information on CPA professional Fees

### (I) CPA professional Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
PricewaterhouseCoopers, Taiwan	Chien-Yeh Hsu	Yi-Chang Liang	January 1, 2020 ~ December 31, 2020	

Unit: NT\$ thousands

Scale		Fee category	Audit Fee	Non-audit Fee	Total
1	Under 2,000			V	1,500
2	2,000(included) ~ 4,000(not included)				
3	4,000(included) ~ 6,000(not included)				
4	6,000(included) ~ 8,000(not included)				
5	8,000(included) ~ 10,000(not included)				
6	10,000 or above		V		18,000

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit fee	Non-audit fee					Period Covered by CPAs' Audit	Remarks
			System Design	Company Registration	Human Resource	Others	Subtotal		
PricewaterhouseCoopers, Taiwan	Chien-Yeh Hsu Yi-Chang Liang	18,000	—	—	—	1,500 (Note 1)	1,500	January 1, 2020 ~ December 31, 2020	

Note 1: The non-audit fee is for the service: application for tax credits for research and development expenditure, costed for NT\$1,500 thousand.

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

(III) When the audit fees paid for the current fiscal year are lower than those for the preceding fiscal year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

## VI. Replacement of CPA

### (I) Former CPAs

Date of Change	Approved by Board of Directors on March 10, 2020
Reasons and Explanation of Changes	Because Certified Public Accountant, Chun-Yuan Hsiao and

	Chih-Cheng Hsieh have served the Company's Governing Auditing and Attestation of Financial Statements last five years. In compliance with US Securities and Exchange Commission's regulatory requirements, the Company has entrusted to PwC's Certified Public Accountant, Chien-Yeh Hsu and Yi-Chang Liang since 2020 first quarter.		
State whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Client Status	CPA	Consignor
	Appointment terminated automatically	Not available	Not available
	Appointment rejected (discontinued)	Not available	Not available
State whether the Appointment is Terminated or Rejected by the Consignor or CPAs	None		
Is there any disagreement in opinion with the issuer	Yes		Accounting principle or practice
			Disclosure of financial statements
			Auditing scope or procedures
			Others
	No	V	
Explanation			
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None		

(II) Successor CPAs

Accounting Firm	PricewaterhouseCoopers, Taiwan
CPA	Chien-Yeh Hsu and Yi-Chang Liang
Date of Engagement	Approved by Board of Directors on March 10, 2020
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	Not available
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	Not available

(III) The Reply of Former CPAs based on Article 10.6.1 and Article 10.6.2.3 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: None

VII. Where the Company's Chairman, President, or any manager in charge of finance or accounting matters has held a position at the accounting firm of its CPA or at an affiliated enterprise of such accounting firm in the most recent year, the name and position of the person, and the period during which the position was held, shall be disclosed. The term "affiliated enterprise of a CPA's accounting firm" means one in which the CPA at the accounting firm holds more than 50% of the shares, or of which such CPA holds more than half of the directorships, or a company or institution listed as an affiliated enterprise in the external publications or printed materials of the accounting firm of the CPA: None.

VIII. Changes in Shareholding of Directors (including independent directors), Managers and Shareholders Holding More than 10% of Company's Total Outstanding Shares in the Most Recent Year and Up to the Date of Publication of the Annual Report

(I) Changes of the Shareholdings and Pledge of Shares of Directors (including independent directors), Managers and Shareholders Holding More than 10% of Company's Total Outstanding Shares

Unit: shares

Title	Name	2020		2021 till April 2	
		Holding Shares Increase (Decrease)	Pledged Shares Increase (Decrease)	Holding Shares Increase (Decrease)	Pledged Shares Increase (Decrease)
Major shareholder	Siliconware Precision Industries Co., Ltd.	(70,000,000)	—	—	—
Chairman/President	Shih-Jye Cheng	—	—	—	—
Director, representative, Siliconware Precision Industries Co., Ltd.	Teresa Wang	—	—	—	—
Director, representative, Siliconware Precision Industries Co., Ltd.	Bright Yeh	—	—	—	—
Director	Lafair Cho	—	—	—	—
Independent director	Chin-Shyh Ou	—	—	—	—
Independent director	Yuh-Fong Tang	—	—	—	—
Independent director	Tai-Haur Kuo	—	—	—	—
Independent director	Kuei-Ann Wen	—	—	—	—
Independent director	Jing-Shan Aur	—	—	—	—
Executive Vice President	Vincent Hsu	—	—	—	—
Executive Vice President	D.Y. Tsai	—	—	—	—
Senior Vice President & Spokesperson	Jesse Huang	—	—	—	—
Senior Vice President	Yu-Ying Chen	—	—	—	—
Vice President	Silvia Su	244,060	—	—	—
Vice President	Wu-Hung Hsu	—	—	—	—
Vice President	Chen-Fang Huang (Dismissal on February 17, 2021)	(53,483)	—	—	—
Vice President	Ming-Cheng Lin	—	—	—	—
Vice President	Chang-Lung Li (Dismissal on September 11, 2020)	—	—	—	—
Vice President	Jin-Long Fang	—	—	—	—
Vice President	Tung-Pao Lu (New appointment on November	—	—	—	—

Unit:shares

Title	Name	2020		2021 till April 2	
		Holding Shares Increase (Decrease)	Pledged Shares Increase (Decrease)	Holding Shares Increase (Decrease)	Pledged Shares Increase (Decrease)
	10, 2020)				
Assistant President	Liang-Ming Yang (New appointment on July 1, 2020)	—	—	—	—
Assistant President	Min-Chang Xue (New appointment on November 10, 2020)	—	—	—	—
Senior Director	Chao-Tung So (Dismissal on November 10, 2020)	—	—	—	—
Senior Director	JB Chyi (Dismissal on November 10, 2020)	—	—	—	—
Senior Director	Peng-Hsien Chu (New appointment on November 10, 2020)	—	—	—	—
Director	Chih-Cheng Hsieh (New appointment on February 17, 2021)	—	—	—	—
Manager	Ling Cheng	—	—	(4,000)	—

(II) Shares Trading of Directors (including independent directors), Managers and Shareholders Holding More than 10% of Company's Total Outstanding Shares: None.

(III) Shares Pledge of Directors (including independent directors), Managers and Shareholders Holding More than 10% of Company's Total Outstanding Shares: None.

#### IX. Information on Top 10 Shareholders of the Company Who are Spouses or Relatives Within Second Degrees of Kinship to Each Other

April 2, 2021(Unit: shares; %)

Name	Shareholding		Shareholding by spouse and minor children		Shareholding in the name of others		Name and Relationship Between the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
First Bank in Its Capacity as Master Custodian for Custodial Account of ChipMOS' American Depositary Shares	84,417,014	11.61%	—	—	—	—	None	None	—
Siliconware Precision Industries Co., Ltd.	78,910,390	10.85%	—	—	—	—	None	None	—
Yann Yuan Investment Co., Ltd.	55,000,000	7.56%	—	—	—	—	None	None	—
Morgan Stanley & Co. International Plc	29,560,882	4.06%	—	—	—	—	None	None	—
Fubon Life Insurance Co., Ltd.	28,723,762	3.95%	—	—	—	—	None	None	—
J.P. MORGAN	10,304,152	1.42%	—	—	—	—	None	None	—

Name	Shareholding		Shareholding by spouse and minor children		Shareholding in the name of others		Name and Relationship Between the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
SECURITIES PLC									
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	8,685,348	1.19%	—	—	—	—	None	None	—
Norges Bank	8,512,840	1.17%	—	—	—	—	None	None	—
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	8,352,148	1.15%	—	—	—	—	None	None	—
State Street Active Emerging Markets Small Cap Securities Lending QIB Common Trust Fund	6,399,000	0.88%	—	—	—	—	None	None	—

Note 1: The Company shall list all the top ten shareholders as well as shall list the name of legal person shareholders and the name of their representatives respectively.

Note 2: The shareholding ratio is calculated respectively in the name of the shareholders, their spouse, minor children or in the name of others.

Note 3: The shareholders listed aforesaid, including juridical persons and natural persons, shall be disclosed regarding the relationship between them according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

X. The Combined Shareholding and Ratio of the Company, Directors, Managers and Enterprises which Directly or Indirectly Controlled by the Company in Each Investee

December 31, 2020 (Unit: shares; %)

Investee	Investment by the Company (A)		Investments by directors, managers and directly or indirectly controlled enterprises (B)		Combined investment (A+B)	
	Shares	%	Shares	%	Shares	%
ChipMOS U.S.A., Inc.	3,550,000	100.00%	—	—	3,550,000	100.00%
ChipMOS TECHNOLOGIES (BVI) LTD.	2,413,992,975	100.00%	—	—	2,413,992,975	100.00%
ChipMOS SEMICONDUCTORS (Shanghai) LTD.	—	—	(Note 1)	100.00%	(Note 1)	100.00%
Unimos Microelectronics (Shanghai) Co., Ltd.	—	—	(Note 1)	46.14%	(Note 1)	46.14%
JMC ELECTRONICS CO., LTD.	8,300,000	10.00%	-	-	8,300,000	10.00%
Shanghai Zuzhu Business Consulting Partnership (Limited Partnership)	—	—	(Note 2)	(Note 3)	(Note 2)	(Note 3)
Shanghai Zuzhan Business Consulting Partnership (Limited Partnership)	—	—	(Note 2)	(Note 3)	(Note 2)	(Note 3)
Shanghai Zuchen Business Consulting Partnership (Limited Partnership)	—	—	(Note 2)	(Note 3)	(Note 2)	(Note 3)
Shanghai Guizao Business Consulting Partnership (Limited Partnership)	—	—	(Note 2)	(Note 3)	(Note 2)	(Note 3)

Note 1: Limited company, hence does not issue common stock.

Note 2: Limited partnership, hence does not issue common stock.

Note 3: As of April 15, 2021, Zuzhu, Zuzhan, Zuchen, and Guizao have completed the cancellation of registration.

## IV. Capital Overview

### I. Capital and Shares

#### (I) Sources of Capital

##### 1. Process of Capital Formation

Unit: NT\$ thousands; thousand shares

Month, Year	Issue Price (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
March, 2019	10	970,000	9,700,000	752,835	7,528,347	Cancellation of redeemed restricted employee shares	None	(Note 1)
April, 2019	10	970,000	9,700,000	740,086	7,400,859	Cancellation of treasury shares	None	(Note 2)
August, 2019	10	970,000	9,700,000	727,312	7,273,124	Cancellation of treasury shares and redeemed restricted employee shares	None	(Note 3)
September, 2019	10	970,000	9,700,000	727,240	7,272,401	Cancellation of treasury shares	None	(Note 4)

Note 1 : On March 21, 2019, after the Company cancelled 22,948 redeemed restricted employee shares and reduced its capital by NT\$229,480, the paid-in capital was NT\$7,528,347,340, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1080007952).

Note 2 : On April 3, 2019, the Company cancelled 12,748,847 treasury shares and reduced its capital by NT\$127,488,470. After the implementation of capital reduction, Company's paid-in capital was NT\$7,400,858,870, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1080009251).

Note 3 : On August 15, 2019, after the Company cancelled 12,748,847 treasury shares of capital reduction and 24,671 redeemed restricted employee shares, reduced its capital by NT\$127,488,470 and NT\$246,710, the paid-in capital was NT\$7,273,123,690, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1080023455).

Note 4 : On September 23, 2019, the Company cancelled 72,243 treasury shares and reduced its capital by NT\$722,430. After the implementation of capital reduction, Company's paid-in capital was NT\$7,272,401,260, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1080027435).

##### 2. Type of Stock

April 2, 2021(Unit: shares)

Share Type	Authorized Capital			Remark
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	727,240,126	242,759,874	970,000,000	

Note: The shares are listed on Taiwan Stock Exchange.

## (II) Status of Shareholders

April 2, 2021(Unit: persons; shares; %)

Composition of Shareholders Amount	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of shareholders(persons)	—	39	204	46,497	279	47,019
Shareholding(shares)	—	62,153,080	161,305,323	164,942,687	338,839,036	727,240,126
Percentage(%)	—	8.55%	22.18%	22.68%	46.59%	100.00%

## (III) Distribution of Shareholding

### 1. Common Shares

April 2, 2021(Unit: persons; shares; %)

Class of Shareholding (shares)	Number of Shareholders(persons)	Shareholding (shares)	Percentage (%)
1 ~ 999	18,777	3,920,828	0.54%
1,000 ~ 5,000	22,687	45,845,714	6.30%
5,001 ~ 10,000	3,057	24,820,645	3.41%
10,001 ~ 15,000	647	8,256,661	1.14%
15,001 ~ 20,000	588	10,974,214	1.51%
20,001 ~ 30,000	387	10,131,253	1.39%
30,001 ~ 40,000	173	6,259,382	0.86%
40,001 ~ 50,000	148	6,854,084	0.94%
50,001 ~ 100,000	206	15,003,356	2.06%
100,001 ~ 200,000	118	16,697,428	2.30%
200,001 ~ 400,000	73	20,665,747	2.84%
400,001 ~ 600,000	33	15,898,510	2.19%
600,001 ~ 800,000	21	14,694,775	2.02%
800,001 ~ 1,000,000	16	14,518,926	2.00%
Above 1,000,001	88	512,698,603	70.50%
Total	47,019	727,240,126	100.00%

### 2. Preferred Shares: None.

## (IV) List of Major Shareholders

Names of shareholders with more than 5% ownership interest or top-10 shareholders, and the number of shares held and shareholding percentage represented.

April 2, 2021

Shareholder's Name	Shareholding (shares)	Shareholding Percentage (%)
First Bank in Its Capacity as Master Custodian for Custodial Account of ChipMOS' American Depositary Shares	84,417,014	11.61%



Siliconware Precision Industries Co., Ltd.	78,910,390	10.85%
Yenyuan Investment Co., Ltd.	55,000,000	7.56%
Morgan Stanley & Co. International Plc	29,560,882	4.06%
Fubon Life Insurance Co., Ltd.	28,723,762	3.95%
J.P. MORGAN SECURITIES PLC	10,304,152	1.42%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	8,685,348	1.19%
Norges Bank	8,512,840	1.17%
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	8,352,148	1.15%
State Street Active Emerging Markets Small Cap Securities Lending QIB Common Trust Fund	6,399,000	0.88%

(V) Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$; thousand shares

Item		Year	2019	2020	Current Year till March 31, 2021(Note 6)
Market Price Per Share (Note 1)	Highest		38.80	37.15	44.9
	Lowest		22.15	24.3	33.65
	Average		28.65	30.91	37.62
Net Worth Per Share	Before Distribution		27.02	28.64	—
	After Distribution		25.22	—	—
Earnings Per Share	Weighted Average Shares		727,111	727,240	—
	Earnings Per Share(Equity Holders of the Company)		3.55	3.26	—
Dividends Per Share	Cash Dividends		1.8	(Note 5)	—
	Share Dividend	Earnings Distribution	—	—	—
		Capital Distribution	—	—	—
	Accumulated Undistributed Dividend		—	—	—
Analysis of Return on Investment	Price/Earnings Ratio (Note 2)		8.07	9.48	—
	Price/Dividend Ratio (Note 3)		15.92	(Note 5)	—
	Cash Dividend Yield Rate (Note 4)		0.0628	(Note 5)	—

Note 1: The source of foregoing information is the website of Taiwan Stock Exchange.

Note 2: Price/Earnings Ratio = Average Market Price / Earnings Per Share

Note 3: Price/Dividend Ratio = Average Market Price / Cash Dividends Per Share

Note 4: Cash Dividend Yield = Cash Dividends Per Share / Annual Average Market Price

Note 5: On March 16, 2021, the Board of Directors adopted the 2020 earnings distribution plan, stipulated that each share is distributed NT\$2.2 cash dividend to shareholders. This plan has not yet been ratified by the Shareholders' Meeting

Note 6: As of the date of publication of the annual report, the most recent consolidated financial report dated March 31, 2021 has not yet been approved by the Board of Directors nor reviewed by certified public accountants. Other fields shall be filled with the information of the current year as of the date of publication of the annual report.

(VI) Dividend Policy and Implementation Status

1. Dividend Policy

According to the Company's Articles of Incorporation, upon the final settlement of accounts, if there is net profit, the Company shall first set aside the tax payable and offset its losses before setting aside a legal reserve at 10% of the remaining profit. The Company shall then set aside or reverse the special reserve in accordance with the laws and regulations and as requested by the competent authorities. The remaining profit of that fiscal year, as well as the accumulated undistributed profit at the beginning of the same year and the adjusted undistributed profit of the given fiscal year, shall be distributable profit. If there is any surplus distributable profit after the Board of Directors sets aside a reserve based on the Company's operational needs, such surplus profit may be distributed in full or in part to shareholders as dividends, subject to the approval of the Shareholders' Meeting. A proposal on the distribution of dividends shall be submitted by the Board of Directors annually to the Shareholders' Meeting, and be based on factors such as past years' profit, the current and future investment environment, the Company's capital needs, competition in the domestic and foreign markets, and budgets, with an aim to pursuing shareholders' interests and balancing the dividend distribution and the long-term financial plan of the Company. The distribution of profits of the Company can be made in the form of cash dividends or stock dividends, provided that the cash dividend shall account for at least 10% of the total profit distributed as dividends in the given year.

The distribution of dividends of the Company is determined based on the Company's capital structure, operating conditions, accumulated earnings, various capital reserves, investment plans, and reference to the industry. A proposal on the distribution of dividends shall be submitted by the Board of Directors to the Shareholders' Meeting.

2. Proposed Distribution of Dividend

The Company's net profit after tax of 2020 is NT\$2,367,483 thousand. On March 16, 2021, the Board of Directors adopted that; thus, the distribution of NT\$2.2 cash dividend per share and NT\$1,599,928 thousand in total is proposed. The proposal will be implemented in accordance with relevant regulations after being ratified by the shareholders' meeting on May 31, 2021.

(VII) Impact on Company's Operating Performance and Earnings Per Share due to the Share Dividends Plan Proposed in this Shareholders' Meeting: None.

(VIII) Employee Bonus and Directors (including independent directors)' Remuneration

1. The Scope and Proportion of Compensation to Employees, Directors Stipulated in the Articles of Incorporation

If there is profit in any given year, the Company shall set aside 10% thereof as employee compensation. The Board of Directors may resolve to pay said compensation

in the form of shares or cash. Such compensation may be paid to the employees of an affiliated company who meet the conditions set by the Board of Directors. The Board of Directors may resolve to set aside no more than 0.5% of the above-mentioned profit as the remuneration of the directors. A proposal on the compensation for the employees, and remuneration of the directors and supervisors shall be presented at the shareholders' meeting. If the Company has accumulated losses, the amount for making up said losses shall be reserved before setting aside the compensation for the employees and remuneration of the directors and supervisors at the rates stated above.

2. The accounting management for the estimation base of estimated amount of compensation to employees and directors, the share calculation base of distributed shares as employees' compensation, and in the event that actual distributed amount are different from estimated figures:

In respect of estimated employees' compensation and directors' remuneration according to the Articles of Incorporation, if the actual distribution amount adopted by the Board of Directors in the next year is different from the estimated figures, it shall be handled in accordance with the management of changes in accounting estimates, the profit and loss shall be adjusted in the year resolved by the Board of Directors.

3. Information of proposed distributable compensation adopted by the Board of Directors
  - (1) The amount of compensation to employee and directors distributed in cash or shares: In 2021, the 12<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors resolved to distribute NT\$332,080 thousand as compensation to employees and NT\$16,604 thousand as compensation to directors. The foregoing has no difference with the estimated amount of the expense recognized for this year.
  - (2) The proportion that the amount of employees' compensation distributed by shares is accounted for the sum of the profit margin after tax provided in the current individual or parent company only financial report and the total amount of employees' compensation: The Company did not distribute employees' compensation by shares.
4. The difference between actual distributed compensation to employees, directors (including distributed shares, amount, and price of shares) of the preceding year and recognized compensation to employees and directors, and the amount, reasons, and management regarding such difference: No difference.

#### (IX) Buyback of Company Shares

1. Buyback of Company shares (executed completely)

April 20, 2021

Batch Order	First	Second	Third
Purpose of buy-back	To maintain company's credits and shareholder's equity	To transfer shares to employees	To transfer shares to employees
Timeframe of buy-back	August 11, 2015 to October 10, 2015	February 5, 2016 to April 4, 2016	May 13, 2016 to July 12, 2016
Price range	NT\$21.04 to 41.34	NT\$22.4 to 40.0	NT\$21.88 to 40
Class, quantity of shares bought-back	20,000,000 common shares	15,000,000 common shares	15,000,000 common shares
Value of shares bought-back	NT\$633,737,195	NT\$510,819,237	NT\$494,191,524
The ratio of the number of shares that were repurchased to the planned number of shares to be repurchased	100%	100%	100%
Quantity of cancelled shares	20,000,000 shares	15,000,000 shares	15,000,000 share
Accumulated number of company shares held	0 share	0 share	0 shares
Percentage of total company shares held (%)	0%	0%	0%

2. Buyback of Company shares (under execution): None.

II. Bonds: None.

III. Preferred Shares: None.

IV. Global Depositary Receipts

March 31, 2021

Item	Date of issuance
	November 1, 2016
Date of issuance	November 1, 2016
Place of issuance and transaction	NASDAQ
Total issued amount	Not applicable
Issuance price per unit	Not applicable
Total units issued	21,775,257 units
Source of representing security	Company's common shares
Amount of representing security	435,505,140 shares

Date of issuance			November 1, 2016
Item			
Rights and obligations of depositary receipts holders	As the same as common shares		
Trustee	None		
Depository bank	Citibank		
Custodial bank	First Bank		
Unredeemed amount	4,221,280 units		
Allocation of responsibility for payment of relevant fees incurred during the issue period and duration	Borne by the Company		
Material covenants of depositary agreement and custodial agreement	None		
Market price per unit	2020	Highest	US\$26.07
		Lowest	US\$15
		Average	US\$20.72
	Current year till March 31, 2021	Highest	US\$31.67
		Lowest	US\$24.11
		Average	US\$26.72

#### V. Employee Stock Options and Restricted Employee Shares

(I) Issuance of Employee Stock Options: None.

(II) Issuance of Restricted Employee Shares: None.

#### VI. Status of New Shares Issuance in Connection with Mergers and Acquisitions

(I) Completed new shares issuance in connection with mergers and acquisitions in the preceding year and up to the date of publication of the annual report

1. The lead securities underwriter's evaluation opinion regarding the new shares issuance in connection with mergers in the most recent quarter: Not applicable.
2. In addition to requirements set forth in the preceding item, the Company shall also disclose the state of implementation of any of the aforementioned matters during the most recent quarter. If the progress or benefits of such implementation were not as good as expected, the Company shall explain specifically how the situation is likely to affect shareholders' equity, and shall put forward a plan for corrective action.: Not applicable.

(II) New shares issuance in connection with mergers and acquisitions approved by the Board of Directors in the most recent year and up to the date of publication of the annual report: None.

#### VII. Financing Plans and Implementations: None.

## V. Operational Highlights

### I. Business Contents

#### (I) Business Scope

##### 1. Main Business Contents

The main business of the Company is to provide assembly and testing services for various ICs. We also provide turnkey total solution and drop shipment services for our clients.

##### 2. Proportion of Main Products

The consolidated revenue of the Company comes from providing assembly and testing services. Products of assembly and testing can be divided into three segments: memory products, LCD driver ICs and LOGIC/Mix-Single ICs. Based on the process characteristics and the operation administration of profit center, five business groups are set up as the “Assembling Production Group,” “Memory Production Group,” “LCDD Production Group,” “WB Production Group,” and “Testing Production Group.” Such groups all report to “Operation Manufacturing Center.” Revenues, cost and gross margins of each group are calculated respectively. Therefore, we classified the products of the Company into five groups and explain the proportion of the main products as follows:

Unit: NT\$ thousands; %

Main Departments \ Year	2018		2019		2020	
	Amount	%	Amount	%	Amount	%
Assembly	4,679,676	25.32	5,148,877	25.32	6,001,964	26.08
Testing	4,790,097	25.92	4,257,800	20.93	5,002,730	21.74
Driver IC	5,694,720	30.82	6,922,205	34.04	7,023,003	30.52
Wafer Bumping	3,315,534	17.94	4,008,999	19.71	4,983,684	21.66
Total	18,480,027	100.00	20,337,881	100.00	23,011,381	100.00

Note: Consolidated financial statements audited and certified by independent accountants.

##### 3. Current Products (Services) of the Company

The main products of the Company is assembly and testing regarding thin small outline package (“TSOP”), Fine Pitch BGA (“FBGA”), DFN/QFN, Tape Carrier Package (“TCP”), Chip On Film (“COF”) and Chip On Glass (“COG”), COP and wafer bumping (“Bumping”), WLCSP / FlipChip. Clients' products can be successfully applied to information, communications, office automation, consumer electronics and other related products through the comprehensive IC assembly and testing services provided by the Company.

##### 4. New Products (Services) Development

In the future, in addition to increase of the capacity of the assembly and testing for high-end memory, the Company and its subsidiaries will also enhance and increase the

capability and capacity of the assembly and testing for the products in the following areas depending on the market applications and demands:

- (1) Develop fine pitch Cu RDL line width and space with 3um/3um for advanced re-distribution layer device design requirement.
- (2) Shrink ball size with ball mount technology and combine thinner wafer grinded thickness to achieve thin WLCSP requirement.
- (3) Double-sided Heat Sink/ High conductivity material development is applied in thermal packaging services for high-resolution panels.
- (4) Source & Gate ICs integrated technology development is used in product applications with narrow border panels.
- (5) Develop BGA SSD assembly technology, offer multi-chip & SIP total solution, and apply SDBG process for ultra thin 3D Nand flash (<50um).
- (6) Hybrid package by integration of wire binding & flip-chip process to offer total solution for UFS device.

## (II) Industry Overview

### 1. Current Status and Development of the Industry

2019 revenue of Taiwan IC assembly and testing industry is NT\$501 billion and the annual growth rate shrank 1.6%. Mainly due to the increased demand for advanced packaging from mobile communication electronic products, the penetration rate of high-end and advanced packaging technologies such as WLCSP (Fan-in and Fan-out) driven by high I/Os and high integration continued to rise. Coupled with the increase in memory prices, the market for the quality and quantity of IC packaging and testing products simultaneously improve. The production value of Taiwan IC assembly and testing industry in 2020 is NT\$552 billion, which shows an increase of 10.1% as compared to 2019.

#### Production Value of Taiwan's Semiconductor Industry in Details

Unit: NT\$0.1 billion; %

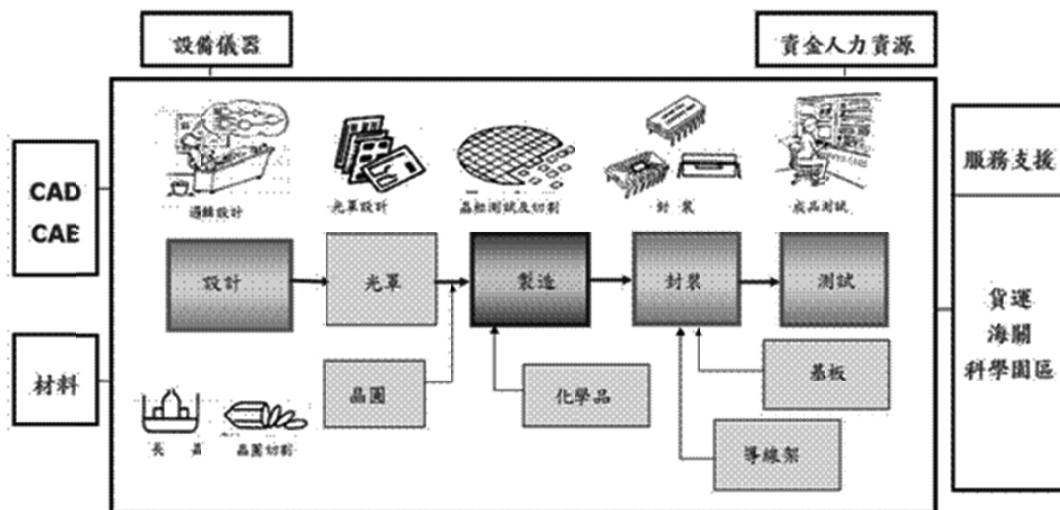
Items	2018	2019			2020		
	Amount	Amount	Proportion (%)	Annual Growth Rate (%)	Amount	Proportion (%)	Annual Growth Rate (%)
IC Design	6,413	6,928	25.99	8.0	8,503	26.42	22.7
IC Manufacturing	14,856	14,721	55.23	-0.9	18,167	56.44	23.4
Wafer Foundry	12,851	13,125	49.24	2.1	16,332	50.74	24.4
Memory and IDM	2,005	1,596	5.99	-20.4	1,835	5.70	15.0
IC Assembly and Testing	4,930	5,007	18.78	1.6	5,515	17.14	10.1
Production Value of IC Industry	26,199	26,656	100.00	1.7	32,185	100.00	20.7

Source : IEK of Industrial Technology Research Institute(2020/11).

## 2. Relevance Between the Upstream, Midstream, and Downstream of the Industry

Due to the trend and evaluation invoked by the overall vertical integration regarding the division of labor within the semiconductor industry, semiconductor industry in Taiwan can be divided into the upstream, IC design houses, the midstream, IC manufacturing and foundry, and the downstream, IC assembly and testing houses. In recent years, Taiwan's IC industry keeps flourishing and the disintegration therein is becoming more specialized. Each link in the supply chain engaged by various entities, which causes the vertical disintegration, becomes clear and further specialized. Therefore, the structure of the upstream, midstream and downstream of Taiwan's IC industry is more complete than before. The relevance of upstream, midstream and downstream of the industry in which the Company is engaged as shown in below. The main business of the Company is providing IC back-end services for memory IC, LCD driver IC, and logic/mixed-signal IC, which belong to the downstream of the semiconductor industry.

我國半導體產業結構圖



Source: MIC; IEK of Industrial Technology Research Institute (2013/04)

## 3. Trend of Development and Competition Regarding Products

### (1) Trend of Development

#### A. IC Assembly and Testing Industry`

##### a. 3D IC will become a must of advanced assembly in the future.

Based on the low power consumption, high performance, multi-function integration, and package minimization of industry trend, the multi-chips assembly technologies which can integrate each IC, such as System on Chip ("SoC"), System in Package ("SiP") and 3D IC, are the trend of advanced assembly capability development.



3D IC has advantages such as shortening interconnection and scaling down the size of the chips. Therefore, 3D IC has risen as the mainstream technology in recent years. Meanwhile, the type of assembly also shows a development toward TSV. Such type of assembly differs from the traditional wire bonding. It etches holes on each wafer and fills in conductive materials to provide connecting function and therefore all the chips will be combined together. This method reduced the length of metal wires and connection resistance, and further trimmed down the area of the chips. In respect of the needs of digital electronic products in light and short sizes, high efficiency and integration, highly system integration and wireless becomes unavoidable trends and 3D IC's new structure can meet such development trend of the market. For example, smartphones have high requirements for IC's function and bandwidth. Aims as increasing the bandwidth and reducing the volume of elements can be achieved through 3D IC. Compared with 3D IC, other assembly technologies, such as SoC, SiP and TSV, have their own advantages and disadvantages respectively. SoC technology has better performance in the costs of energy savings and low capacity products, and is mainly used in products with large quantity and long life cycle. SiP has advantages in heterogeneous integration, speed of production, reuse of design resources and time of research and development, which is most applicable to products for immediate marketing and those with high level heterogeneous integration. TSV has better performance in efficiency and cost of high capacity products, and is currently applied to memories, image sensors and MEMS fields. 3D IC has advantages in small size, high efficiency and easier high level heterogeneous integration in application, and thus becomes the main technology developing by the semiconductor assembling industry at the current stage.

- b. The ratio of smart handheld device in the semiconductor application market keeps increasing.

Based on the integration of logic IC and mobile DRAM, mobile phone becomes the largest application market. Along with the expanding trend of smart handheld devices all over the world, smartphone and tablet computer markets shows a trend of huge growth and becomes significant growth force of the world's semiconductor market. Further, competitive power of IC design houses regarding elements such as CPU, GPU, baseband and networking chips in the smart handheld device market also brings growth in wafer foundry and IC assembly and testing market. In addition, increase in sales of smart handheld device also accelerated the development of semiconductor elements toward high efficiency and integration, and low power consuming. By seizing the turning point of the rise of smart handheld device, there will also be a chance for growth in revenue.

- c. Assembly and testing industry will show a trend of "The Big Ones Get Bigger."

Although electronic terminal device shows a trend of light and short sizes, its price keeps going down and thus indirectly depresses the prices and profit of the assembly and testing industry which depends more on the raw material costs. Entities lack of sufficient economic scale will face severe cost control in the future. Further, along with the trend that major semiconductor companies engaged in manufacture procedure in a higher level, the assembly method adopted therein will become more difficult, and the capital expenditure will also become larger and larger. Therefore, if assembly and testing services vendor with smaller scale fails to secure its niche market, its competitive power will continually be weakened under “the big ones get bigger” trend of the industry.

#### B. Storage Device Industry

NAND Flash is becoming the mainstream of the world’s memory market. Decrease and increase can be found in the sales volume of DRAM and NAND Flash respectively in recent years. It reflects the popularization of smartphones and tablet computers. Cloud computing also brings different effects to the two major memory products. Vendors who will implement the built-in NAND Flash and mobile device processing units directly to smartphones in the future also successively provide solutions supporting application of embedded memory (Emmc / eMCP). It is well-established that the built-in NAND Flash will become the majority of smartphone storage in the future. The successful rise of Ultrabook also accelerated the implementation of solid state disk in the PC industry. Further, demand of data center servers for NAND Flash will keep increasing. Therefore, NAND Flash have exceeded DRAM and become the most major memory product of the world.

#### C. Flat Panel Display End-Use Industry

##### a. Development of devices toward ultra high resolution panel.

Apple and Samsung continually released smartphones and tablet computers with high resolution which earned good reputation in the market. Vendors of other brands are also catching up with the trend. Therefore, high resolution panel is becoming the specification necessary for high-end products. After smartphones, tablet computers, notebooks, Ultrabooks and even LCD TVs are speeding up their pace regarding the implementation of high resolution panels. Further, after Apple released New iPhone and MacBook Pro which adopted fingerprint recognition modules, other brands such as Samsung, Asus, Acer and Dell are also speeding up their pace to implement fingerprint recognition modules in their cell phones, tablet computers, notebooks and slim notebook products. Based on the slow sales in LCD television market, Japanese and Taiwanese panel manufacturers are now engaged in development and massive production of 4K×2K LCD panels and will

further implement products such as high-end LCD monitoring camera and LCD TV.

b. AMOLED is considered as the advanced display technology of next generation.

AMOLED has self-luminous characteristic. Its response time is short and may have high contrast efficacy. Therefore, AMOLED can show splendid colors while effectively reduce electronic consumption. Further, products' thickness may be reduced significantly because such products can be lit up without the assistance of backlight. Also, AMOLED has bendable characteristic because it can be processed on soft substrates. The proportion of cell phone vendors in Mainland China adopting AMOLED are increasing. Apple is also negotiating with panel vendors regarding the distribution of OLED panels of iPhones and it is expected that this may lead the movement of more cell phone vendors to catch up such trend. Market share of AMOLED is expected to rise year by year.

(2) Competition Status.

A. Driver IC Back-End Services is an Oligopolistic Market and 12-inch Gold Bumping and Testing Machinery Equipment are Significant Points of Expansion:

After integrations conducted in Taiwan's LCD driver IC assembly and testing industry, small vendors are merged into other vendors. After integrations of relevant back-end services vendors (for example, Fupo, USTC, Megic, Chipbond, UOT, ISTC, ChipMOS, AMCT, Aptos and SPIL), Chipbond and ChipMOS are the only main vendors left and therefore cause the LCD driver IC back-end services to become an oligopolistic market. Capacity of the two top vendors in Taiwan, i.e., Chipbond and ChipMOS, far exceeds other competitors. They are also able to offer turnkey services and thus the order of the industry may be maintained. Currently, capacity utilization rate of each vendor in peak seasons regarding the 8-inch Gold Bumping is merely 70%. In the future, the rest of the capacity will be used in assembly and testing for power management IC, MEMS, WLSCP and other application products. Along with the rapid growing demand for smart handheld device, design for small size driver IC is becoming more complicated due to the increase of the resolution of Mobile Device panels. Testing period also becomes longer. Therefore, expansion of each vendor in 2018 & 2019 had been focused on the capacity of 12-inch Gold Bumping and testing machinery equipment.

B. DRAM Industry of the World Has Been "Carved Into Three Pieces" by Samsung, Micron and SK Hynix:

Since Micron owns memory assembly and testing facilities, orders placed by Micron are mainly for assembly of DRAM and NAND Flash while the testing are mostly performed in-house. The main vendors engaged by Micron in Taiwan regarding DRAM/NAND back-end services are PTI, ChipMOS and ASE. It is

highly possible that Micron will take lead in the manufacturing process technologies of the next generation. Micron's testing platform is solely developed by itself and thus differs from most of the testing houses. If testing houses intend to continually obtain Micron's orders, they will need to increase their capital expenditures to purchase new testing platforms. The Company has been working a long time on raising production efficiency and reducing manufacturing cycle time and raw material costs to enhance price competitive power. Further, the Company has established a long-term and close cooperation relationship with Micron than other competitors and the parties will jointly develop next-generation products. Investment regarding new products and new manufacturing procedure in the future will be made in a timely manner to raise the competitive ability of the Company.

### (III) Status of Technologies and Research and Development

#### 1. Technology Level, Research and Development of Operating Business.

##### (1) Technology level of operating business

ChipMOS has committed to assembly and testing business for over 30 years which originated from MOSEL's back-end factory from 1986. 20 years has passed since ChipMOS' official independence from MOSEL on 1997. ChipMOS is now one of the top ten assembly and testing vendors in the world.

Although assembly and testing services produce no inherent products, the scope of such services includes military industry to daily consumer products. On the other hand, assembly and testing services focus on the back-end of the overall semiconductor supply chain. Any disorder of any link of such supply chain may affect the Time to Market. Further, assembly and testing services are no longer being considered as a traditional industry with low entry-barriers. Instead, such services are now facing process miniature and irregular and rapid ups and downs within the industry. In respect of the rise of new generation portable consumer electronics, such as smartphones and tablet computers, vendors shall always be ready to provide their clients with the best integration solution to establish win-win cooperation relationship.

In order to continually have a foothold in the assembly and testing industry, ChipMOS has committed to product research and development for decades. Research and development regarding assembly and testing generally refers to technical basis, including the characteristics of materials and machines, which are the core business of the Company, and the characteristics of electronics, which are becoming much more focused. In general, the cores of researches are combinations of the foregoing three main fields and other compositions. Relevant explanations are provided as follows:

#### A. Materials

The main mission of the package body is to protect ICs from the effects of external stress and environmental pollutants, and further ensure the stability of any internal heterojunction under long-term use. Therefore, the choices and applications of materials are extremely important. Materials placed in a package body shall have a most optimized combination. The best package body shall maintain certain characteristics after severe burn-in test (adopting JEDEC standards) and then shall it be confirmed as the most optimized combination of materials. In addition, how to select assembly materials at a low costs to meet clients' needs of reducing costs of products has always been the key point of ChipMOS' research and development.

#### B. Machine Characteristics

To protect internal IC chips from losing efficacy due to external stress, it is important that the surface of the products shall be firm enough and the internal stress shall be as little as possible. Especially the curve caused by periodical and instantaneous thermal stress that occurs in the application of miniature product will bring permanent damages to interface contacts. This will further cause the units to lose efficacy. Therefore, machine characteristics require prior simulation and post measurement. The characteristics and error range of such structure can be learned by conducting analysis in all aspects.

#### C. Electronic Characteristics

Another mission of the package body is to distribute the signals from IC chips to PCBs. This can be achieved through the design of the substrate. However, consumer electronics are changing rapidly and the trend of high-speed and high-frequency/ microwave radio frequency has been established. Therefore, electronic characteristics require prior simulation and post measurement by a different method in order to meet various needs of the clients.

Based on the foregoing three basic researches, in respect of products of various clients, the aim of improving package shall be achieved by selecting various characteristics. Improvement of the main package of each generation solely depends on advanced research and development. Current mainstream of assembly technologies and ChipMOS' unique abilities can be realized step by step through the following research and development plans.

### (2) Research and Development

#### Research and Development Plans Regarding Assembly and Testing Technology in 2020

A. Developing 3P/3M Cu pillar and WLCSP for high pin count product.

B. Continually develop fine pitch RDL line width and space (4um/4um) for copper RDL application.

- C. Developing fine pitch inner lead width and space for COF ILB assembly.
- D. Evaluate thinner PI film of COF tape to increase the tape flexible property for full screen of FDP device development.
- E. Developing COF FT test condition in low temperature condition -40°C for automotive device specification.
- F. Implement DBG/ SDBG for thin wafer capability.
- G. 16DP BGA/SiP product development

Research and Development Plans Regarding Assembly and Testing Technology in 2021.

- A. Developing fine pitch Cu RDL line width and space with 3um/3um for advanced re-distribution layer device design requirement.
- B. Shrink ball size with ball mount technology and combine thinner wafer grinded thickness to achieve thin WLCSP requirement.
- C. Double-sided Heat Sink/ High conductivity material development is applied in thermal packaging services for high-resolution panels °
- D. Source & Gate ICs integrated technology development is used in product applications with narrow border panels °
- E. Develop BGA SSD assembly technology, offer multi-chip & SIP total solution, and apply SDBG process for ultra thin 3D Nand flash (<50um)
- F. Hybrid package by integration of wire binding & flip-chip process to offer total solution for UFS device.

2. Invested Research and Development Expenses of the Most Recent Year and till the Date of the Publication of the Annual Report.

Unit: NT\$ thousands

Item \ Year	2020	Current year till March 31, 2021
A. Research and Development Expenses	1,015,512	—
B. Revenue	23,011,381	—
A/B	4.41%	—

Note: As of the publication date of the annual report, the most recent consolidated financial statements dated March 31, 2021 has not yet been approved by the Board of Directors nor reviewed by certified public accountants.

3. Successfully Developed Technologies or Products during Recent Years

Year	Results of Research and Development	Explanation of Contents
2020	3P3M Cu pillar and WLCSP development	1. Developing 3P/3M Cu pillar and WLCSP for high pin count product requirement.
	Developing fine pitch RDL Cu line width and space	1. Developing fine pitch Cu RDL line width and space with 4um/4um for high pin count memory product

Year	Results of Research and Development	Explanation of Contents
		application
	Developing fine pitch inner lead width and space for COF ILB assembly	1. To intensify the ILB lead pitch to 18um (Line/Space=8/10 um) 2. Provide two metal COF turnkey process 3. To intensify the chip length more than 28mm and min chip thickness 200um 4. Consummated above technology to provide the turnkey solution for TDDI, AMOLED new application
	Developing COF with high flexible property	1. Developing COF PI film thickness 25um for full screen of FPD application
	Developing FT test condition of COF with -40°C environment	1. Developing COF FT test environment from temperature range -40°C ~125°C 2. To meet automotive device specification.
	Implement DBG/ SDBG technology	1. Implement DBG / SDBG to enhance the capability of ultra-thin wafer capability for 3D NAND Flash application.
	16DP BGA/SiP product development	1. Developing more die stacking for device capacity increasing.
2021	Developing fine pitch Cu line RDL width and space	1. Developing fine pitch Cu RDL line width and space with 3um/3um for high pin count product application.
	Shrink ball size with ball mount technology and combine thinner wafer grinded thickness to achieve thin WLCSP requirement	1. Develop ball mount process bump height 40um~70um to achieve smaller bump size. 2. Grind silicon thickness ~200um or below to meet smaller package of dimension trend.
	Double-sided Heat Sink / High conductivity material development is applied in thermal packaging services for high-resolution panels	1. Apply for high-resolution (4K and 8K) displays. 2. Apply for high refresh rates (90 & 120 & 240 Hz) displays.
	Source & Gate ICs integrated technology development is used in product applications with narrow border panels	1. Source and Gate 2 in 1 or 3 in 1 flip chip technology development in 2 layers COF package. 2. Provides solution for design narrow border displays.
	Develop BGA SSD assembly technolog	1. Apply SDBG process for ultra thin 3D Nand flash (<50um). 2. Offer multi-chip & SIP total solution.
	Offer total solution for UFS device	1. Apply SDBG process for ultra thin 3D Nand flash

Year	Results of Research and Development	Explanation of Contents
		( $<50\mu\text{m}$ ). 2. Hybrid package by integration of wire binding & flip-chip process.

(IV) Long-term and Short-term Business Development Plans.

The Company and its subsidiaries have taken the initiative in approaching clients and the market for many years. Along with the growth of clients and the market, the Company and its subsidiaries have successfully established the basis of product qualities and company images and gradually gained a foothold in the market. In respect of the trend of industry developments and competitions in domestic and foreign market, it is expected that the condition of the Company can be adjusted according to the long-term and short-term development plans in order to improve its overall competitive power.

1. Short-term Business Development Plans

(1) The Services Provider of Entire Back-End Processes within the Semiconductor Market.

- A. Provide services regarding the entire manufacturing process of core technology products.
- B. Focus on the capacity of the semiconductor assembly and testing market, and the products and technologies jointly researched and developed with clients which a win-win situation is expected.
- C. Continue to maintain good relationships with existing clients and further obtain new clients.
- D. Based on customer demand to expand capacity of logic/mixed-signal IC, AMOLED, and automotive driver ICs products. MEMS products shall be also set as the targets of further expansion.

(2) Major Vendors' Acceleration of Outsourcing and Organization Integration Caused Increase in ChipMOS' Business of Technical Services.

- A. Major IDMs (Integrated Device Manufacturer) continually and rapidly increase their business outsourcing related to semiconductor back-end assembly and testing services in order to correspond to the quickly shortened life cycle of products and raw material price fluctuation.
- B. Based on historical data of OSATs, IDMs, wafer foundries and design houses will continue to release capacities.
- C. Due to integrations within the semiconductor assembly and testing market during the recent years, the number of competitors has been reduced and thus improved the market order. For example, Gold Bumping manufacture and TCP/COF/COG.

(3) Business Strategic of Establishing Long-term Partnership with Clients.



- A. Maintain a high-level profit margin.
  - (a) Adopt efficient management and diversification business strategy, and further increase equipment's capacity utilization.
  - (b) Under horizontal competition in the industry with fewer competitors, better sale price and gross profit may be maintained.
  - (c) Increase the profit margin by using the funds efficiently and adjusting the product portfolio.
- B. Enhance relationship with leading vendors and companies engaged in semiconductor industry within Company's core business scope. Further, based on the technical blue prints of the Company, to cooperate with clients closely, keep devoting to innovation and research, and further expand capacity.

## 2. Long-term Business Development Plans

- (1) Focus on High-Growth End-Use Market.
  - A. Focus on special end-use market.
  - B. Develop high-growth product application market by implementing advanced technical service of entire back-end processes.
  - C. Focus on the research, development and innovation of core technologies to assist clients lowering their operating costs.
- (2) Focus on the Capacity Expansion, Development and Establishment of Advanced Technologies; Establish Sufficient Capacity and Expand the Market Share of High-Growth Products.
  - A. Develop 12-inch wafer Fine Pitch Bonding technologies which shall be applied to LCD display driver IC products.
  - B. Establish implementation of Flip Chip technologies regarding assembly of memory and logic/mixed-signal products.
  - C. Apply WLCSP and RDL technologies to electronic compasses, magnetometers and other memory products.
  - D. Develop assembly technologies for high-profit assembly products, such as Stacked-Die package, Multi-Chip package and SiP.
- (3) Taking Initiative in Establishing Global Self-Owned Intellectual Properties Database to Achieve the Aim of Protecting Specialized Technologies.

Use positive and innovative research and development power to cooperate with clients' technology development and new products development and further establish platform for patent development. Raise the value of non-core technologies by transferring and selling patent rights.

## II. Market, Production, and Sales Overview

### (I) Market Analysis

#### 1. The Sales Territory of Main Products (Services)

Unit: NT\$ thousands; %

Territory \ Year		2019		2020	
		Amount	Ratio (%)	Amount	Ratio (%)
Domestic Sales		15,875,027	78.06	18,341,726	79.71
Export Sales	Asia	4,151,793	20.41	4,373,805	19.01
	America	150,702	0.74	160,162	0.69
	Others	160,359	0.79	135,688	0.59
	Subtotal	4,462,854	21.94	4,669,655	20.29
Total		20,337,881	100.00	23,011,381	100.00

#### 2. Market Share

The Company is professional IC assembly and testing companies, mainly providing assembly and testing services of memory IC, LCD driver IC and logic/mixed-signal products for IC design houses, integrated devices manufacturers (IDM) and IC fabs. The aforementioned products are primarily applied in computers, storage devices for consumer electronics, and terminal application products for displays. According to statistics of IEK of Industrial Technology Research Institute, the production value of Taiwan IC assembly and testing industry in 2020 is NT\$552 billion, while the consolidated revenue of Company in 2020 is about NT\$23 billion, accounting for about 4.17% of Taiwan's production value. The Company has many years of experience in assembly and testing and professional R&D technical capabilities to provide adequate capacity scale and full service of back-end processes to meet different needs of clients. In recent years, the Company has a very good performance in terms of business scale, reflecting that the Company's products and technology have obtained a high degree of client recognition, and have already occupied a considerably competitive position in the industry.

#### 3. Competitive Advantages

##### (1) Industry-Experienced Management and Technology R&D team

Since the establishment of the Company in 1997, the Company has continued to invest in the research and development of advanced technologies relating to the field of assembly. The major R&D personnel and the management team have more than 10 years of working experience in the semiconductor industry, accumulating rich experience relevant to assembly and testing, while equipped with a clear perception of the industry trends, and a comprehensive grasp of the market demand. As a result, the

Company is able to meet clients' demand, timely developing key technologies contributing to win more clients' orders.

(2) Equipped with Advanced Process Technology

The competitions between domestic and foreign vendors in the IC assembly and testing industry are fierce. Each vendor would develop innovative process technology to reduce costs and lower prices to enter the market. As a result, price competition is a major factor determining competitiveness in the IC assembly and testing industry, and process technology is also an important indicator for competitiveness. The Company has advanced assembly technology, continuing to improve the technologies in the manufacturing process, and improve production efficiency, thus helping clients reduce operating costs. In addition, the Company is actively pursuing innovation and R&D, working with clients to develop new process technology and new products, while establishing a platform of patent development. So far the Company has acquired 901 patents at home and abroad, and were named Astrum Award Winner by MDB Capital Group, a US intellectual property (IP) investment bank, in 2011, revealing that the advanced process technology possessed by the Company has become one of the important competitive advantages.

(3) Production Has Reached Economies of Scale and the Capacity Continues to Expand

The mass production of IC assembly and testing vendors can reduce the unit costs of R&D, equipment procurement, and operation costs. Since the establishment of the Company in 1997, the Company has focused on the R&D of technologies and productions relating to the field of assembly and testing. So far the Company has built up sufficient manpower and machinery equipment, and production capacity has reached the economies of scale. In addition, the engineers and production line workers are skilled in the manufacturing process and operation techniques, while the Company is able to effectively manage the machinery equipment and adopt the strategy of diversification, significantly increasing the production efficiency and relatively reduced the unit cost. In order to increase the Company's market competitiveness, the Company will closely observe the market and clients' needs in the future, continuously expanding production capacity in response to the clients' demand for diversification and reducing unit costs.

(4) IC Assembly and Testing Turnkey Services

The Company provides clients with turnkey services including assembly and testing of memory IC, LCD driver IC, logic/mixed-signal IC, wafer bumping manufacturing and other products in order to meet the clients' demands of one purchase to solve all needs, and shorten the delivery time while saving transportation costs, indirectly saving clients' operating costs, strengthening each other's competitiveness to jointly create a win-win situation.

(5) Establishing Close and Long-term Partnership with Clients

The Company provides clients with a complete package of services including the entire manufacturing process of core technology products. In the aspects of assembly and testing technology, product quality and delivery service, our services can fully meet the needs of clients and work with our clients to develop new products and new process technology. Therefore, the Company has received accreditations and recognitions from a number of domestic and foreign well-known IC manufacturers. Furthermore, given the concerns of confidentiality of technology, quality and long-term tacit understandings, unless significant deficiencies occur to the products, the IC manufacturers would not easily replace the supplier. This fact demonstrates that the Company has established close and long-term partnership with clients. In addition, except continuing to maintain good relationships with existing clients and continuing or extending existing OEM contracts or capacity reservation contracts, the Company would use our advanced process technology as a basis in the future to focus on the development of new clients of logic/mixed-signal and consumer IC products. This practice would benefit the Company's future operation developments.

(6) Solid Financial Structure

"The big ones get bigger" is one of the future development trends of assembly and testing industry. The Company has sufficient cash flow and solid asset-liability structure to ensure that the Company would continue to invest and develop steadily. This is our key to maintain the stability of operations during the recession of the IC industry. Therefore, the stability of the financial structure of the Company is an important basis to long-term cooperation and mutual development with clients, and it is also one of the competitive advantages of the Company.

(7) Equipped with a Complete Product Development Blueprint and the Power to Pursue Diversified Developments

The Company has an experienced R&D technical team. In addition to continuing to strengthen and improve the IC assembly and testing technology and quality, the Company is also actively developing state-of-the-art technology and services in response to the needs of the future IC mainstream market (including high profit assembly products and technologies currently under development such as the 12-inch wafer Fine Pitch technology and Flip Chip, or ones that are applied to WLCSP and RDL technologies, Stacked-Die Package, Multi-Chip, and SiP). With our own capabilities of technology integration and development, the Company relies on a wide range of assembly and testing technologies to provide a complete portfolio of product technologies in accordance with market and client demands. The practice not only reduces the impact of the IC industry recession, but also provides clients with more

diversified and differentiated assembly and testing services to increase the Company's competitive advantage.

#### 4. Advantages and Disadvantages of Development Prospects and Countermeasures

##### (1) Advantages

##### A. The Market is Capital and Technology-Intensive, and the Barriers to Entry are Comparatively High

The semiconductor industry is a capital and technology-intensive industry. Capital expenditures in the industry are becoming more costly because the machinery equipment required for semiconductor testing is expensive, the orders for IDM OEMs are increasing and the product technologies change rapidly. In addition, as semiconductor assembly is technology-intensive, its process technology and production defect-free rate determines the level of production costs, and it is difficult to train and recruit R&D personnel while assembly and testing products would only acquire orders after the certification of clients. These factors result in a higher threshold for new competitors. The Company has an excellent technical R&D team. We devoted ourselves to the industry for many years, resulting in our rich experience in practice. Moreover, the Company fully grasps the trends and needs in the semiconductor assembly industry, and we have already reached economies of scale, while our process technology also obtained the trust and quality certifications of international industry giants. All of these successes indicate that the Company is competitive in the market.

##### B. The Domestic Semiconductor Industry Has a Complete Model of Vertical Disintegration

The vertical disintegration system of Taiwan's semiconductor industry has developed for many years, and is equipped with advantages such as the integrity of upstream and downstream industry chain, work specialization with high supportiveness, significant industry cluster effect, and the comprehensiveness of surrounding support industry. In addition, the wafer foundries and assembly and testing houses of Taiwan possess professionalized manufacturing capacity along with flexible production scheduling, world-class service quality and rapid adaptability, and already reached economies of scale. The capacity of Taiwan's semiconductor industry is not only in line with industry trends and demand, but also is capable of providing high-quality and internationally competitive products. This would be a great advantage for our development in the future.

##### C. The Industry and End-Use Market of Our Products Will Continue to Grow in the Future

Due to the strong growth in shipments of smartphones, tablet computers, Ultrabook and others led to the increase of relevant chips' assembly and testing

orders; the continuing trend of IDM OEM outsourcing; the fact that the amount of copper wire will still has a lot room for growth as the orders of fables vendors in the United States and IDMs in Japan will keep increasing; and along with the improvement of the penetration rate of 1x nano-process technology, the demand for advanced assembly and wire bonding would elevate simultaneously. This is conducive to the increase of the added value of the industry, and the promotion of the development of industry value upgrading. In addition, from the perspective of the storage device industry, strong demand for smartphones, tablet computers and other consumer electronics products is expected to stimulate the growth of DRAM and NAND Flash; from the perspective of displays' end-use industry, although the demand for LCD monitor and personal computer continues to decline, but as the demand for LCD TV continues to increase, the annual growth rate of the production value of the global large-size panel industry will rise slightly to 5.6%, while the production value reaches US\$98.1 billion. As for the small size panels, as the demand for smartphones and tablet computers continues to rise, the annual growth rate of production value of small and medium size panel industry is expected to increase significantly to 28.6%, while the production value reaches US\$33.5 billion. To sum up, the growth of the Company is expected to continue sustainably since the industry and the end-use market will continue to grow in the future.

**D. The Trend of International IDM Industry Giants' Acceleration of Outsourcing is Conducive to Assembly and Testing Market**

In 2009, as the financial crisis inflicted a serious defeat on the global economy and both the domestic and international IT industry, international IDMs became more cautious in inventory control. They no longer invest in the expansion of capacities and start to reduce capital expenditure while conservatively expanding the capacity of back-end IC assembly and testing. In the meantime, IDMs have begun to engage in operation modes revision (i.e. Fabless or Fab-Lite) and structural reorganization. They concentrate on market development and R&D, improving operational efficiency, while they strive to reduce the risk of self-built fabs and focus on pooling of resources and production costs reduction, resulting in the continuing of IDMs' increasing of the proportion of outsourcing. In addition, as the IC production process continues to refine, the trend of semiconductor assembly types moving towards high-end IC assembly and testing technology emerges. Under such circumstances, IDMs are highly dependent on the professional assembly and testing houses dedicated to continuous R&D of new technologies in order to master high-end assembly technologies required for the new types of IC products. As a result, the business opportunities of domestic IC assembly and testing houses to gain outsourcing orders from international IDMs will continue to increase.

The Company has industry-experienced R&D technology teams and advanced process technology (for instance, assembly and testing technologies including COF, COG/COP, Wafer Level CSP and MEMS, etc.), and is able to meet clients' needs for timely development of key technologies, while continuously improving process technologies in manufacturing processes and enhancing production efficiency. All of these advantages would help clients reduce operating costs. In addition, the Company has reached economies of scale, and are able to continuously expand production capacity in accordance with the market and clients' demand. The Company has sufficient capacity to meet major IDMs' diversified demands and reduce unit costs, thereby increasing the price competitive advantage, contributing to the winning of IDM OEM orders.

(2) Disadvantages

A. Capital expenditure gradually increases

The Company provides assembly and testing services, and all of our testing machinery equipment is costly. As IDM's OEM orders are increasing, assembly and testing vendors began to vigorously invest in the procurement of machinery and equipment. In addition, in response to the rapid changes in assembly and testing technologies, major semiconductor vendors have gradually entered a more advanced level of process, while the difficulty of relevant assembly technologies also simultaneously increases. As a result, the required capital expenditure is becoming more enormous, and therefore the increase in capital expenditure would elevate investment risks of the Company.

Countermeasures:

The Company has established a R&D center to research and develop assembly and testing technology with clients and seize the market demand at any time in order to understand new assembly and testing technology trends in the future, ensuring that the Company could introduce the products and technologies to meet market and clients' demands at an appropriate and right moment. In addition, the Company has carefully evaluated the investment plans and the management plans of personnel, machinery equipment, funds and technology, adjusting the equipment portfolio in accordance with market demands in a timely manner so as to use the minimal equipment and investment portfolio to respond to diversified client demands, reduce assembly and testing technology-related investment amount and risks, and pursue the efficient use of free cash flow while maximizing our management effectiveness.

B. The assembly and testing technologies change rapidly and the Company has less dominance in the development of technologies

With the rapid expansion of the application of end applications, memory applications and product categories are becoming more diverse. Moreover, because the market are becoming more demanding of product functionality, performance, cost and design along with the fierce horizontal competition in the industry, semiconductor and testing technology changes rapidly; in addition, as the designers and users are the players having dominance in the field of new assembly and testing technologies, it is difficult for us to immediately grasp the market acceptance of new technologies.

Countermeasures:

The Company provides a complete package of services for the entire semiconductor back-end process, and our assembly and testing products are required to be jointly certified by the IC manufacturer and the IC assembly and testing vendors. Given the necessity of product technical confidentiality and quality stability, IC manufacturers would select an appropriate IC back-end assembly and testing vendor to engage in a close and long-term cooperation. Once the cooperation relationship of supply and demand is confirmed, it is not easy to alter the relationship. In addition, the Company and clients jointly develop new products and technologies to ensure that we can introduce the products and technologies to meet market and clients' demands at an appropriate and right moment. Furthermore, the company is committed to the R&D and innovation of core technologies. In addition to continuing to maintain good relations with existing clients, we also continue to develop assembly and testing technologies for other products such as logic/mixed-signal and consumer IC products in order to win potential new clients, dispersing the risks of our product portfolios.

C. The shortening of IC product life cycle results in significant fluctuations in the industry's state of economy

The Company provides memory IC, LCD driver IC and logic/mixed-signal products assembly and testing services for IC design houses, IDM and IC fabs. Because IC assembly and testing is the back-end process of IC, the demand of our services comes from the IC industry. Therefore the prosperity or recession of the IC industry is closely related to the development of IC assembly and testing industry.

Countermeasures:

The Company has advanced technology services for the entire semiconductor back-end process, and we actively develop markets for high-growth end products. In addition to continuously improve the assembly and testing technology and quality for memory IC products and display driver IC products and shorten the delivery period, adjusting the product portfolio at any time in response to market



demands, the Company's new process products such as Wafer Level CSP and MEMS have obtained clients' verifications. We have also actively established the application of flip chip technology in logic/mixed-signal products. Therefore, the Company could reduce the risk of business cycle by providing clients with more diversified assembly and testing services through our diversified product line. Furthermore, the Company already established long-term and stable partnerships with existing clients, while we actively develop new clients for logic/mixed-signal products, resulting in a full and stable application of our production capacity. The Company has been elastically responding to the substantial amount of orders during the IC industry boom and the reduction in orders in the industry' downturn by carefully assessing the impact of investment plans and management plans for personnel, machinery equipment, capital and technology. In addition, the Company maintains a solid financial structure and this advantage also reduces the adverse impacts on the Company's operating stability when the IC industry is experiencing a downturn.

D. The difficulty in the training, recruitment and retention of professional IC assembly and testing personnel

Because R&D team is very important to IC assembly and testing, obtaining R&D personnel with rich experience and good quality is the key to success for IC assembly and testing companies. With the rapid development of IC industry in recent years, the demand for professional R&D personnel keeps growing. However, it is difficult to train and recruit professional R&D personnel. Therefore, the Company will also have to face the unfavorable factor of the shortage of professional R&D personnel.

Countermeasures:

In addition to establishing various internal and external education and training systems to enhance the professional skills of the staff, the Company also provides employee with benefits and distribute employee restricted shares, enabling employees to share our business results, cultivating employee's coherence to the Company. At present, the Company is also listed on the stock market, so that our stocks would have more liquidity, enabling the Company to retain the existing professional R&D talents, and become more attractive to professional R&D personnel during recruitment.

E. The rising of raw material costs

The main key raw materials of the Company during the assembly and testing process are materials such as lead frame, substrate, gold wire, IC carrier board, and resin, claiming about 30% of the materials. As a result, the rising of raw material prices would definitely bring impacts to the IC assembly and testing industry. The

Company would have to face an even greater challenge regarding the control of raw materials costs and inventory.

Countermeasures:

In addition to fully grasping the relevant information on changes in the raw materials, and keeping an eye on the changes in the industry trend any time, the Company also improve the product defect-free rate, and reduce the negative impacts of rising costs by proposing alternative raw materials, improving the existing process technologies and developing advanced process technologies and other solutions, facilitating the Company to maintain a stable competitive advantage for profits.

F. Horizontal Competition in the Industry:

Since the IC assembly and testing industry has already matured, horizontal competition in the same industry is quite severe.

Countermeasures:

The Company would provide clients with better quality and services, continuing to strengthen the capability of technology R&D capabilities and process improvement to enhance production efficiency, product quality and reduce production costs while pursuing to maintaining client satisfaction. In addition to actively maintaining existing long-term client relationships, we would also strive to develop other new clients to consolidate and further strengthen our market position.

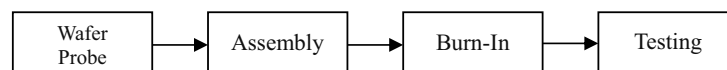
(II) The Important Purposes and Production Process of Our Main Products

1. The Purposes of Main Products

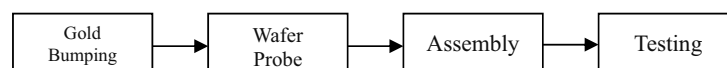
The main products of the Company is OEM services for the assembly and testing of products such as TSOP, FBGA, TCP, COF, COG/COP, and wafer bumping. The client's products can be successfully applied to information, communications, office automation, consumer electronics and other related products through the comprehensive IC assembly and testing services provided by the Company.

2. The Production Process

● Memory IC Products



● LCD Driver IC



### (III) The Supply Status of the Main Raw Materials

The main raw materials of the Company is Gold Salt (potassium gold cyanide), Substrate, Gold Wire, Lead Frame, Molding Compound, etc. Our suppliers for the raw materials listed above are all well-known domestic and foreign vendors providing stable supply, high quality products, and accurate delivery. In addition, the Company implements a random quality inspection for the main raw materials suppliers in order to obtain a supply of better quality.

Main Raw Materials	Name of Supplier	Domestic	Foreign	Supply Status
Gold Salt	SOLAR	V		Good
	Metalor		V	Good
Substrate	Ryowa		V	Good
	Unimicron	V		Good
	Kinsus	V		Good
	ASEE	V		Good
	ZDT	V		Good
Gold Wire	Tanaka		V	Good
	MKE		V	Good
Lead Frame	SHINKO		V	Good
	CWE	V		Good
	Fusheng Group	V		Good
	HDS		V	Good
Molding Compound	ShowaDenko		V	Good
	Kyocera		V	Good
	CWE	V		Good

### (IV) The Percentage of Suppliers and Customers Accounting for More Than 10% of The Total Procurement (Sales) Amount in Either of The Most Recent 2 Years, The Amount and Proportion of Procurement (Sales) from Them and The Reasons for The Change

#### 1. Major Suppliers of the Most Recent 2 Years

Unit: NT\$ thousands; %

Item	2019				2020				2021 Q1 (Note)			
	Name	Amount	% of Total Net Purchases	Relationship with Issuer	Name	Amount	% of Total Net Purchases	Relationship with Issuer	Name	Amount	% of Total Net Purchases	Relationship with Issuer
1	SOLAR	1,392,524	27.98	None	SOLAR	1,776,100	27.02	None	—	—	—	—
2	Others	3,583,859	72.02		Others	4,797,887	72.98		—	—	—	—
3	Total	4,976,383	100.00		Total	6,573,987	100.00		—	—	—	—

Note: As of the publication date of the annual report, the most recent consolidated financial statements dated March 31, 2021 has not yet been approved by the Board of Directors nor reviewed by certified public accountants.

Reason of Increase / Decrease in Purchases: The increase in purchases of SOLAR, mainly due to the gold price rising in 2020.

## 2. Major Customers of the Most Recent 2 Years

Unit: NT\$ thousands; %

Item	2019				2020				2021 Q1 (Note)			
	Name	Amount	% of Total Net Sales	Relationship with Issuer	Name	Amount	% of Total Net Sales	Relationship with Issuer	Name	Amount	% of Total Net Sales	Relationship with Issuer
1	Client A	4,756,755	23.39	None	Client A	5,088,544	22.11	None	—	—	—	—
2	Client K	2,419,612	11.90	None	Client X	2,660,866	11.56	None	—	—	—	—
3	Client C	2,048,260	10.07	None	Client K	2,332,914	10.14	None	—	—	—	—
4	Client X	1,977,427	9.72	None	Client C	2,143,130	9.31	None	—	—	—	—
5	Others	9,135,827	44.92		Others	10,785,927	46.88		—	—	—	—
	Total	20,337,881	100.00		Total	23,011,381	100.00		—	—	—	—

Note: As of the publication date of the annual report, the most recent consolidated financial statements dated March 31, 2021 has not yet been approved by the Board of Directors nor reviewed by certified public accountants.

Reasons of Changes in Sales: The statistics of our sales are stable and there has been no significant change in major customers in the most recent 2 years.

## (V) Production of the Most Recent 2 Years

Unit: thousand wafers/piece ; NT\$ thousands

Production Value Year Major Product (or Departments)	2019			2020		
	Capacity	Output	Production Value	Capacity	Output	Production Value
Assembly	3,559,312	2,793,638	4,918,748	3,687,169	2,851,232	5,418,192
Testing	3,635,682	2,465,055	3,221,432	3,811,002	2,781,211	3,350,554
Driver IC	2,736,018	1,948,120	4,784,346	2,494,884	2,076,231	5,028,193
Wafer Bumping	1,718	1,300	3,508,572	1,555	1,474	4,111,828
Total			16,433,098			17,908,767

#### (VI) Sales in the Most Recent 2 Years

Unit: thousand wafers/piece ; NT\$ thousands

Major Product (or Departments)	Year	2019				2020			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Assembly		809,343	2,830,377	1,937,456	2,318,500	1,004,982	3,287,807	1,979,451	2,714,157
Testing		2,322,271	3,715,152	114,651	542,648	2,916,862	4,492,671	102,776	510,059
Driver IC		1,701,842	6,069,481	165,838	852,724	1,956,400	6,174,211	193,602	848,792
Wafer Bumping		1,161	3,260,017	152	748,982	1,425	4,387,037	128	596,647
Total			15,875,027		4,462,854		18,341,726		4,669,655

#### III. Employees Status

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

Year		2019	2020	Current Year as of Mar. 31, 2021
Number of Employees (persons)	Direct Staff	3,243	3,076	3,068
	Engineering	2,075	2,058	2,080
	Management	370	331	327
	Total	5,688	5,465	5,474
Average Age		36.8	37.5	37.6
Average Seniority (years)		8.7	9.4	9.4
Academic qualifications (%)	Ph.D.	0.1	0.1	0.1
	Master	7.3	7.7	7.7
	Bachelor	67.3	66.9	67.6
	High School	24.9	24.9	24.2
	Degree of Lower Levels	0.4	0.4	0.4

#### IV. Disbursements for environmental protection

Environmental Losses: Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred

currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided : None

## V. Labor Relations

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

The Company is responsible for handling the related welfare and benefits for the staff according to Labor Standards Act, Labor Insurance Act, the Employee Welfare Fund Act and the related laws and regulations and conducts regular health examination, on-the-job training and free group insurance services.

### 1. Employee Benefits :

- (1) Employees are entitled to labor insurance, National Health Insurance, and group insurance on the first day of work.
- (2) Provide shuttle bus and dormitory to take care of staff living far.
- (3) Introduce employee discounts on designated shops, and actively develop kindergarten, childcare center to offer employee care resources.
- (4) Various subsidies granted for Birthday voucher, Mid-Autumn Festival voucher, Dragon Boat Festival voucher, Lunar new year and Marriage gift money, childbirth subsidy, bereavement allowance.
- (5) Holding celebrity lecture, watching movies, family days, miscellaneous clubs and so on to give our employees a work-life balance and fun.
- (6) Holding departmental social activity so as to promote the harmonious relationship between labor and management.

### 2. Further education and training for employees :

- (1) Internal training: six categories of training are provided, including Leadership, General management, Technology, Orientation, Quality and Environmental.
- (2) External training: external training subsidy is provided to encourage employees to improve skills.
- (3) Self-learning resources : various learning resources for employees are provided on the e-learning platform. Different topics of newsletters, such as English, presentation, Excel, AI and etc, are also provided enabling employees to learn anytime.

### 3. Retirement Program :

The company sets up a retirement pension plans for employees. According to the labor pension Act, the company allocates a retirement pension into the personal account of the laborer based on 6% of the employee's monthly salary for those who chose the new Labor Pension system. In addition, the labor pension reserve funds shall be allocated into the Bank of Taiwan based on specific ratio of the employee's monthly salary for those with old

labor pension. Besides, the company also established the labor pension reserve supervision committee and hired consultant to conduct the funds actuarial every year to ensure the rights and interests of employees. Before the end of each year, we estimate the balance of the labor pension reserve supervision account. If the balance is not enough to pay the employees who are estimated to meet the retirement conditions in the next year, the shortfall will be made up by company before the end of March of the following year.

4. Labor mutual communication :

In order to deliver important notices and policies, ChipMOS regularly holds newcomer interview, labor-management meeting, welfare committee meeting, production line meeting. Other means of communication include platforms such as Internal Communication Box to collect, understand, and resolve employees' needs.

5. Promote employee health care :

- (1) Regular health examination and arrange on-site doctor service to give employees consultation in health and medicine.
- (2) Boosting care to employees who are nursing and accommodating them more comfortable and better-equipped breastfeeding room.
- (3) Providing massage service to take care employees' health. Meanwhile provide visually impaired job opportunity.

(II) List any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided : None.

## VI. Material Contracts

Categories of Contracts	Parties	Term	Main Purpose	Restrictions
Contract Assembly Agreement	Company I	Effective on 2007/11/13 and may be terminated according to the terms of the agreement.	To provide wafer assembly services.	1. Product defect-free rate and quality agreement. 2. Indemnity clauses for IP infringements.
Contract Assembly	Company I	Effective on	To provide wafer	1. Product

Categories of Contracts	Parties	Term	Main Purpose	Restrictions
Agreement		2004/07/01 and may be terminated according to the terms of the agreement.	assembly services.	defect-free rate and quality agreement. 2. Indemnity clauses for IP infringements.
IC OEM Services Agreement	Company K	From 2015/01/01 to 2019/12/31 with automatic extension and may be terminated according to the terms of the agreement.	To provide services for assembly, reliability tests, marking/remarking, and testing.	1. Warranty against defects. 2. Indemnity clauses for IP infringements. 3. Liability limitation agreement.
Certificate of Commitment for Service	Company C	From 2016/01/01 to 2018/12/31 with automatic extension and may be terminated according to the terms of the agreement.	To provide wafer processing services.	1. Product defect-free rate agreement. 2. Indemnity clauses for IP infringements.
IC Processing and Assembly Contract	Company M	Effective on 2010/01/01 with automatic extension and may be terminated according to the terms of the agreement.	To provide IC assembly services.	1. Product defect-free rate agreement. 2. Indemnity clauses for IP infringements.
IC Assembly and Testing Contract	Company G	From 2018/07/01 to 2020/06/30	To provide IC assembly and testing services.	1. Product defect-free rate agreement. 2. Indemnity clauses for IP infringements.
Service Agreement	Company W	Effective on	To provide IC	1. Product



Categories of Contracts	Parties	Term	Main Purpose	Restrictions
		2013/07/01 and may be terminated according to the terms of the agreement.	assembly and testing services.	defect-free rate and quality agreement. 2. Indemnity clauses for IP infringements.
Technology Transfer Agreement	Unimos Microelectronics (Shanghai) Co., Ltd.	From 2012/08/01 to 2022/07/31 (This Agreement has been terminated on April 1, 2020.)	To grant a license to use patents.	1. Royalty agreement. 2. Liability clauses.
Technology Transfer and License Agreement	Unimos Microelectronics (Shanghai) Co., Ltd.	From 2016/12/23 to 2039/12/22 (This Agreement has been terminated on April 1, 2020.)	To grant a license to use patents.	1. Royalty agreement. 2. Liability clauses.
Joint Credit Facility Agreement and Amendment	Cooperative Bank; Bank of Taiwan; Land Bank of Taiwan; Taishin International Bank; Hua Nan Bank; Chang Hwa Bank; Yuanta Bank; First Bank; Shin Kong Commercial Bank; Bank of Panshin ; Mega Bank.	Effective from 2018/05/15 to the date in which the Company performed all obligations of the credit facility agreement.	The banks jointly provided a loan for the Company. The total loan amount is NT\$12 billion.	1. The Company made a commitment that it shall not perform specific actions except with the consent of the banks group, and it shall comply with relevant agreements including the financial matters. 2. Collaterals are provided to secure the loan.
Land Lease Agreement	Southern Taiwan Science Park	From 2014/07/01 to 2024/06/30	To lease lands from the Southern	1. Punitive damage clauses.

Categories of Contracts	Parties	Term	Main Purpose	Restrictions
	Bureau		Taiwan Science Park Bureau.	2. Rent agreement 3. Early termination clause.
Land Lease Agreement	Southern Taiwan Science Park Bureau	From 2012/04/03 to 2032/04/02	To lease lands from the Southern Taiwan Science Park Bureau.	1. Punitive damage clauses. 2. Rent agreement 3. Early termination clause.
Land Lease Agreement	Hsinchu Science Park Bureau	From 2008/09/18 to 2027/12/31	To lease lands from the Hsinchu Science Park Bureau.	1. Punitive damage clauses. 2. Rent and joint liability agreement 3. Early termination clause.
Land Lease Agreement	Hsinchu Science Park Bureau	From 2014/08/01 to 2034/07/31	To lease lands from the Hsinchu Science Park Bureau.	1. Punitive damage clauses. 2. Rent and joint liability agreement 3. Early termination clause.
Supply and Precious Metals Recovery Contract and Amendments	Solar Applied Materials Technology Corporation	From 2016/09/01 to 2021/12/31	To supply materials required for the gold bumping business.	Price calculation and delivery period.
Supply Agreement	Ryowa Co., Ltd.	From 2014/09/01 to 2019/08/31 with automatic extension and may be terminated according to the terms of the	To supply materials required for the IC assembly business.	1. Payment terms. 2. Warranty and liability clauses.

Categories of Contracts	Parties	Term	Main Purpose	Restrictions
		agreement.		

## VII. Intellectual Property

### (I) Intellectual Property Management Plan

ChipMOS has formulated an intellectual property (IP) management policy that incorporates the company's operational goals and R&D direction, and set up an IP management unit responsible for establishing IP management related measures to ensure the implementation and execution quality of IP protection, while strengthening the company's competitive advantage. In order to encourage employees to enhance their innovative strength and accumulate the company's IP capacity, the IP management unit will share IP related information from time to time to deepen the concept of intellectual property, and has developed the "Invention Proposal Reward Management Procedure" and launched an electronic "IP Management System" for the employees to effectively capture the IP information and implement IP management.

### (II) 2020 Implementation Status (presented to the board of directors on November 10, 2020)

1. ChipMOS has actively advanced the IP management plan, established the IP management system and database with continuous updates, and introduced patent application review and value review mechanisms to strengthen the quality of the intellectual property rights.

#### 2. Achievement of Intellectual Property Rights

(1) As of December 31, 2020, we own 687 active patents, 62 pending applications, and 52 registered trademarks at home and abroad.

Intellectual Property Rights		Taiwan	China	US	Others	Total
Patent	No. of Active Patents	336	200	146	5	687
	No. of Pending Applications	18	44	0	0	62
Trademark	No. of Registered TM	11	14	8	19	52

(2) Acquiring "National Invention and Creation Award" by Ministry of Economic Affairs/Intellectual Property Office in 2016.

(3) Named Astrum Award Winner by MDB Capital Group, a US intellectual property (IP) investment bank, in 2011.

## VI. Financial Information

### I. Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years

#### (I) Condensed Balance Sheets

##### 1. Consolidated Financial Statements

Unit: NT\$ thousands

Item \ Year		Financial Summary for the Last 5 Years (Note 1)					Financial information of the current year as of March 31, 2021 (Note 2)
		2016	2017	2018	2019	2020	
Current assets		16,895,957	14,200,980	11,888,143	11,762,346	12,356,103	—
Property, plant and equipment		13,497,218	15,265,311	16,819,621	17,979,444	17,994,686	—
Intangible assets		—	—	—	—	—	—
Other assets		902,785	3,793,651	4,425,954	4,564,097	4,730,025	—
Total assets		31,295,960	33,259,942	33,133,718	34,305,887	35,080,814	—
Current liabilities	Before distribution	4,664,500	6,670,608	5,190,195	4,901,701	5,619,966	—
	After distribution	5,521,254	6,927,414	6,062,913	6,210,733	(Note 3)	—
Non-current liabilities		10,357,946	8,195,998	9,872,712	9,752,947	8,629,096	—
Total liabilities	Before distribution	15,022,446	14,866,606	15,062,907	14,654,648	14,249,062	—
	After distribution	15,879,200	15,123,412	15,935,625	15,963,680	(Note 3)	—
Equity attributable to equity holders of the Company		16,273,514	18,393,336	18,070,811	19,651,239	20,831,752	—
Capital stock		8,869,663	8,862,971	7,528,577	7,272,401	7,272,401	—
Capital surplus		6,888,826	6,288,377	6,280,482	6,059,651	6,059,651	—
Retained earnings	Before distribution	1,424,638	4,237,941	5,104,542	6,338,989	7,356,066	—
	After distribution	1,167,612	3,981,135	4,231,824	5,029,957	(Note 3)	—
Other equity interest		98,041	11,701	119,713	(19,802)	143,634	—
Treasury stock		(1,007,654)	(1,007,654)	(962,503)	—	—	—
Non-controlling interests		—	—	—	—	—	—
Total equity	Before distribution	16,273,514	18,393,336	18,070,811	19,651,239	20,831,752	—
	After distribution	15,416,760	18,136,530	17,198,093	18,342,207	(Note 3)	—

Note 1: The last 5 years financial information had been audited by certified public accountants.

Note 2: As of the publication date of the annual report, the most recent consolidated financial report dated March 31, 2021 has not yet been approved by the Board of Directors nor reviewed by certified public accountants.

Note 3: As of the publication date of the annual report, 2020 earnings distribution has not yet been ratified by the Shareholders' Meeting, thus the amount after distribution is unlisted.

## 2. Parent Company Only Financial Statements

Unit: NT\$ thousands

Item \ Year		Financial Summary for The Last 5 Years				
		2016	2017	2018	2019	2020
Current assets		13,751,990	13,157,373	11,664,359	11,508,633	12,110,079
Property, plant and equipment		13,495,686	15,264,103	16,818,613	17,978,949	17,994,126
Intangible assets		—	—	—	—	—
Other assets		3,544,936	4,775,719	4,653,056	4,814,737	4,968,115
Total assets		30,792,612	33,197,195	33,136,028	34,302,319	35,072,320
Current liabilities	Before distribution	4,079,615	6,607,861	5,192,505	4,898,133	5,617,285
	After distribution	4,936,369	6,864,667	6,065,223	6,207,165	(Note 2)
Non-current liabilities		10,439,483	8,195,998	9,872,712	9,752,947	8,623,283
Total liabilities	Before distribution	14,519,098	14,803,859	15,065,217	14,651,080	14,240,568
	After distribution	15,375,852	15,060,665	15,937,935	15,960,112	(Note 2)
Equity attributable to equity holders of the Company		16,273,514	18,393,336	18,070,811	19,651,239	20,831,752
Capital Stock		8,869,663	8,862,971	7,528,577	7,272,401	7,272,401
Capital surplus		6,888,826	6,288,377	6,280,482	6,059,651	6,059,651
Retained earnings	Before distribution	1,424,638	4,237,941	5,104,542	6,338,989	7,356,066
	After distribution	1,167,612	3,981,135	4,231,824	5,029,957	(Note 2)
Other equity interest		98,041	11,701	119,713	(19,802)	143,634
Treasury stock		(1,007,654)	(1,007,654)	(962,503)	—	—
Predecessors' interests under common control		—	—	—	—	—
Total equity	Before distribution	16,273,514	18,393,336	18,070,811	19,651,239	20,831,752
	After distribution	15,416,760	18,136,530	17,198,093	18,342,207	(Note 2)

Note 1: Parent company only financial report had been audited by certified public accountants.

Note 2: As of the publication date of the annual report, 2020 earnings distribution has not yet been ratified by the Shareholders' Meeting, thus the amount after distribution is unlisted.

## (II) Condensed Statements of Comprehensive Income

### (1) Consolidated Financial Statements

Unit: NT\$ thousands, except earnings per share

Item \ Year	Financial Summary for The Last 5 Years (Note 1)					Financial information of the current year as of March 31, 2021 (Note 2)
	2016	2017	2018	2019	2020	
Revenue	18,387,593	17,940,855	18,480,027	20,337,881	23,011,381	—
Gross profit	3,642,121	3,237,126	3,429,995	3,926,139	5,032,173	—
Operating profit	1,998,575	2,239,881	2,099,721	2,457,119	3,566,502	—
Non-operating income (expenses)	(298,140)	(724,394)	(317,279)	573,200	(593,143)	—
Profit before income tax	1,700,435	1,515,487	1,782,442	3,030,319	2,973,359	—
Profit for the year from continuing operations	1,348,385	1,211,575	1,103,075	2,584,161	2,367,483	—
Profit (loss) for the year from discontinued operations	(122,105)	1,814,953	—	—	—	—
Profit for the year	1,226,280	3,026,528	1,103,075	2,584,161	2,367,483	—
Other comprehensive income (loss), net of income tax	(236,421)	(189,902)	(32,829)	(123,772)	122,062	—
Total comprehensive income for the year	989,859	2,836,626	1,070,246	2,460,389	2,489,545	—
Profit attributable to equity holders of the Company	1,532,292	3,026,528	1,103,075	2,584,161	2,367,483	—
Loss attributable to predecessors' interests under common control	(306,012)	—	—	—	—	—
Profit attributable to non-controlling interests	—	—	—	—	—	—
Comprehensive income attributable to equity holders of the Company	1,295,871	2,836,626	1,070,246	2,460,389	2,489,545	—
Comprehensive loss attributable to predecessors' interests under common control	(306,012)	—	—	—	—	—
Comprehensive income attributable to non-controlling interests	—	—	—	—	—	—
Earnings per share: equity holders of the Company	1.78	3.57	1.37	3.55	3.26	—
Earnings per share: predecessors' interests under common control	(0.35)	—	—	—	—	—

Note 1: The last 5 years financial information had been audited by the certified public accountants.

Note 2: As of the publication date of the annual report, the most recent consolidated financial report dated March 31, 2021 has not yet been approved by the Board of Directors nor reviewed by certified public accountants.

(2) Parent Company Only Financial Statements

Unit: NT\$ thousands, except earnings per share

Item \ Year	Financial Summary for The Last 5 Years				
	2016	2017	2018	2019	2020
Revenue	18,389,205	17,941,102	18,480,027	20,337,881	23,011,381
Gross profit	3,643,246	3,236,803	3,429,995	3,926,139	5,032,173
Operating income	2,020,291	2,343,113	2,123,300	2,455,170	3,576,721
Non-operating income (expenses)	(442,959)	985,503	(342,005)	573,120	(604,608)
Profit before income tax	1,577,332	3,328,616	1,781,295	3,028,290	2,972,113
Profit for the year from continuing operations	1,226,280	3,026,528	1,103,075	2,584,161	2,367,483
Profit (loss) for the year from discontinued operations	—	—	—	—	—
Profit for the year	1,226,280	3,026,528	1,103,075	2,584,161	2,367,483
Other comprehensive loss, net of income tax	(236,421)	(189,902)	(32,829)	(123,772)	122,062
Total comprehensive income for the year	989,859	2,836,626	1,070,246	2,460,389	2,489,545
Profit attributable to equity holders of the Company	1,532,292	3,026,528	1,103,075	2,584,161	2,367,483
Loss attributable to predecessors' interests under common control	(306,012)	—	—	—	—
Profit attributable to non-controlling interests	—	—	—	—	—
Comprehensive income attributable to equity holders of the Company	1,295,871	2,836,626	1,070,246	2,460,389	2,489,545
Comprehensive loss attributable to predecessors' interests under common control	(306,012)	—	—	—	—
Comprehensive income attributable to non-controlling interests	—	—	—	—	—
Earnings per share : equity holders of the Company	1.78	3.57	1.37	3.55	3.26
Earnings per share : predecessors' interests under common control	(0.35)	—	—	—	—

Note: The parent company only financial reports had been audited by the certified public accountants.

(III) CPA' Name and Opinions

Year	Accounting firm	CPA	Audit opinion
2016	PricewaterhouseCoopers, Taiwan	Chun-Yuan Hsiao, Chih-Cheng Hsieh	Unmodified opinion
2017	PricewaterhouseCoopers, Taiwan	Chun-Yuan Hsiao, Chih-Cheng Hsieh	Unmodified opinion
2018	PricewaterhouseCoopers, Taiwan	Chun-Yuan Hsiao, Chih-Cheng Hsieh	Unmodified opinion
2019	PricewaterhouseCoopers, Taiwan	Chun-Yuan Hsiao, Chih-Cheng Hsieh	Unmodified opinion
2020	PricewaterhouseCoopers, Taiwan	Chien-Yeh Hsu, Yi-Chang Liang	Unmodified opinion



## II. Financial Analysis for the Most Recent 5 Years

### (I) Consolidated Financial Statements

Item \ Year		Financial Summary for The Last 5 Years					Financial information of the current year as of March 31, 2021 (Note)
		2016	2017	2018	2019	2020	
Financial structure	Debt ratio (%)	48.00	44.70	45.46	42.72	40.62	—
	Long-term capital to property, plant and equipment ratio (%)	197.31	174.18	166.14	163.54	163.72	—
Solvency analysis	Current ratio (%)	362.22	212.89	229.05	239.96	219.86	—
	Quick ratio (%)	318.91	183.16	193.92	202.73	181.11	—
	Times interest earned (times)	12.76	8.96	12.69	18.71	19.31	—
Operating performance analysis	Average collection turnover (times)	4.58	4.40	4.22	4.42	4.69	—
	Average collection days	80	83	86	83	78	—
	Average inventory turnover (times)	7.77	7.32	7.93	9.00	8.96	—
	Average payment turnover (times)	19.23	19.43	22.70	22.53	20.10	—
	Average inventory turnover days	47	50	46	41	41	—
	Property, plant and equipment turnover (times)	1.33	1.25	1.15	1.17	1.28	—
	Total assets turnover (times)	0.57	0.56	0.56	0.60	0.66	—
Profitability analysis	Return on total assets (%)	4.19	9.87	3.69	8.07	7.20	—
	Return on equity (%)	6.54	17.46	6.05	13.70	11.70	—
	Profit before income tax to paid-in capital ratio (%)	19.17	17.10	23.68	41.67	40.89	—
	Net profit margin (%)	6.67	16.87	5.97	12.71	10.29	—
	Earnings per share (equity holders of the Company)(NT\$)	1.78	3.57	1.37	3.55	3.26	—
	Earnings per share (predecessors' interests under common control)(NT\$)	(0.35)	—	—	—	—	—
Cash flow	Cash flow ratio (%)	79.07	71.26	76.30	122.26	105.70	—
	Cash flow adequacy ratio (%)	113.79	101.68	91.84	85.76	87.01	—
	Cash reinvestment ratio (%)	2.58	5.21	4.75	6.27	5.48	—
Leverage	Operating leverage (times)	2.62	2.29	2.61	2.52	2.17	—
	Financial leverage (times)	1.08	1.09	1.08	1.07	1.05	—
Reasons for variation in financial ratios in the past 2 years (Analysis of deviation over 20%)							
No significant change in financial ratios in the most recent 2 years.							

Note : As of the publication date of the annual report, the most recent consolidated financial report dated March 31, 2021 has not yet been approved by the Board of Directors nor reviewed by certified public accountants.

## (II) Parent Company Only Financial Statements

item \ Year		Financial Summary for The Last 5 Years				
		2016	2017	2018	2019	2020
Financial structure	Debt ratio (%)	47.15	44.59	45.46	42.71	40.60
	Long-term capital to property, plant and equipment ratio (%)	197.94	174.20	166.15	163.55	163.69
Solvency analysis	Current ratio (%)	337.09	199.12	224.64	234.96	215.59
	Quick ratio (%)	288.67	169.10	189.52	197.70	176.85
	Times interest earned	11.91	18.48	12.69	18.73	19.31
Operating performance analysis	Average collection turnover (times)	4.72	4.40	4.22	4.42	4.69
	Average collection days	77	83	86	83	78
	Average inventory turnover (times)	8.07	7.32	7.93	9.00	8.96
	Average payment turnover (times)	20.19	19.43	22.70	22.53	20.10
	Average inventory turnover days	45	50	46	41	41
	Property, plant and equipment turnover (times)	1.36	1.25	1.15	1.17	1.28
	Total assets turnover (times)	0.58	0.56	0.56	0.60	0.66
Profitability analysis	Return on total assets (%)	4.24	9.95	3.69	8.07	7.20
	Return on equity (%)	6.54	17.46	6.05	13.70	11.70
	Profit before income tax to paid-in capital ratio (%)	17.78	37.56	23.66	41.64	40.87
	Net profit margin (%)	6.67	16.87	5.97	12.71	10.29
	Earnings per share (equity holders of the Company) (NT\$)	1.78	3.57	1.37	3.55	3.26
	Earnings per share (predecessors' interests under common control) (NT\$)	(0.35)	—	—	—	—
Cash flow	Cash flow ratio (%)	101.48	72.81	81.30	122.10	105.89
	Cash flow adequacy ratio (%)	141.40	112.17	97.18	95.16	93.37
	Cash reinvestment ratio (%)	3.19	5.29	5.09	6.26	5.49
Leverage	Operating leverage (times)	2.53	1.90	1.98	1.95	1.83
	Financial leverage (times)	1.08	1.06	1.05	1.05	1.03
Reasons for variation in financial ratios in the past two years (no analysis is required for variations below 20%): No significant change in financial ratios in the most recent 2 years.						

\*\* The following computation formulas shall be listed at the end of this statement of the annual report:

### 1. Financial Structure

(1) Debt ratio = total liabilities / total assets

(2) Ratio of long-term capital to property, plant and equipment = (total shareholders' equity + non-current liabilities) / net property, plant and equipment

### 2. Solvency analysis

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets – inventories – prepaid expenses) / current liabilities

- (3) Times interest earned = profit before income tax and interest expenses / interest expenses
3. Operating performance analysis
- (1) Average collection turnover = net revenue / average accounts receivable (including accounts receivable and notes receivable arising from operations)
  - (2) Average collection days = 365 / account receivables turnover
  - (3) Average inventory turnover = cost of revenue / average inventory
  - (4) Average payment turnover = cost of revenue / average accounts payable (including accounts payable and notes payable arising from operations)
  - (5) Average inventory turnover days = 365 / inventory turnover
  - (6) Property, plant and equipment turnover = net revenue / average net property, plant and equipment
  - (7) Total asset turnover = net revenue / average total assets
4. Profitability analysis
- (1) Return on total assets = [net profit + interest expenses (1 - effective tax rate)] / average total assets
  - (2) Return on shareholders' equity = net profit / average shareholders' equity
  - (3) Net profit margin = net profit / net revenue
  - (4) Earnings per share = (profit attributable to equity holders of the company - preferred stock dividends) / weighted average number of shares outstanding
5. Cash flow
- (1) Cash flow ratio = Net cash provided by operating activities / current liabilities
  - (2) Cash flow adequacy ratio = five-year sum of cash from operation / (five-year sum of capital expenditures, inventory additions and cash dividend)
  - (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividend) / gross property, plant and equipment + long-term investments + other non-current assets + working capital
6. Leverage
- (1) Operating leverage = (net revenue - variable operating costs and expenses) / operating profit
  - (2) Financial leverage = operating profit / (operating profit - interest expenses)

### III. Audit Committee's Review Report of the Most Recent Year

#### **Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements, and proposal for allocation of earnings. The audit firm of PricewaterhouseCoopers, Taiwan was retained to audit the Company's Financial Statements and has issued an audit report. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee of the Company. According to relevant requirements of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, the Audit Committee hereby submits this report.

ChipMOS TECHNOLOGIES INC.

Convener of the Audit Committee: Chin-Shyh Ou

March 16, 2021

#### IV. Financial Report of the Most Recent Year

### 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, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and 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, 2020 and 2019, 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 2020 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 2020 consolidated financial statements are stated as follows:

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

##### Description

Please refer to Note 4(27) 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\$18,008,651 thousand for the year ended December 31, 2020. 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 under 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 under the equity method amounted to NT\$250,769 thousand and NT\$249,793 thousand, constituting 0.7% and 0.7% of the consolidated total assets as at December 31, 2020 and 2019, respectively, and total net comprehensive income including the share of profit and other comprehensive income of associate accounted for under the equity method amounted to NT\$37,976 thousand and NT\$69,570 thousand, constituting 1.5% and 2.8% 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, 2020 and 2019.

### ***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.

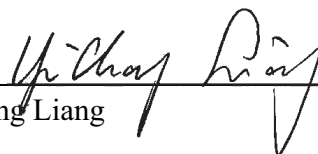
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation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

For and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2021



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, 2020		December 31, 2019			
Assets			Notes	Amount	%	Amount	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$	4,113,651	12	\$	4,704,084	14
1110	Current financial assets at fair value through profit or loss	6(2)		53,120	-		-	-
1136	Current financial assets at amortized cost	6(3)		206,482	1		168,970	1
1140	Current contract assets	6(19)		389,016	1		377,869	1
1150	Notes receivable, net			599	-		765	-
1170	Accounts receivable, net	6(4)		5,364,156	15		4,452,904	13
1180	Accounts receivable—related parties, net			-	-		1,045	-
1200	Other receivables			51,436	-		89,676	-
1210	Other receivables—related parties			-	-		2,948	-
1220	Current tax assets			-	-		138,941	-
130X	Inventories	6(5)		2,102,075	6		1,767,642	5
1410	Prepayments			75,568	-		57,502	-
11XX	<b>Total current assets</b>			12,356,103	35		11,762,346	34
<b>Non-current assets</b>								
1510	Non-current financial assets at fair value through profit or loss	6(2)		10,368	-		11,038	-
1517	Non-current financial assets at fair value through other comprehensive income	6(6)		262,007	1		121,808	-
1535	Non-current financial assets at amortized cost	6(3) and 8		48,319	-		68,450	-
1550	Investments accounted for using equity method	6(7)		3,271,677	9		3,392,910	10
1600	Property, plant and equipment	6(8) and 8		17,994,686	51		17,979,444	53
1755	Right-of-use assets	6(9)		859,069	3		687,068	2
1840	Deferred tax assets	6(27)		185,691	1		194,552	1
1920	Refundable deposits			21,186	-		21,145	-
1990	Other non-current assets			71,708	-		67,126	-
15XX	<b>Total non-current assets</b>			22,724,711	65		22,543,541	66
1XXX	<b>Total assets</b>		\$	35,080,814	100	\$	34,305,887	100

(Continued)

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

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
<b>Liabilities</b>						
<b>Current liabilities</b>						
2130	Current contract liabilities	6(19)	\$ -	-	\$ 1,231	-
2150	Notes payable		2,899	-	-	-
2170	Accounts payable	6(10)	966,821	3	819,548	2
2200	Other payables	6(11)	3,249,403	9	2,977,036	9
2230	Current tax liabilities		474,765	1	269,672	1
2250	Current provisions		3,463	-	1,998	-
2280	Current lease liabilities	6(30)	132,549	1	24,567	-
2310	Receipts in advance		10,790	-	988	-
2320	Long-term bank loans, current portion	6(12)(30) and 8	748,353	2	748,419	2
2365	Current refund liabilities		9,864	-	26,000	-
2399	Other current liabilities		21,059	-	32,242	-
21XX	<b>Total current liabilities</b>		<u>5,619,966</u>	<u>16</u>	<u>4,901,701</u>	<u>14</u>
<b>Non-current liabilities</b>						
2540	Long-term bank loans	6(12)(30) and 8	6,985,212	20	8,293,226	24
2570	Deferred tax liabilities	6(27)	300,179	1	305,635	1
2580	Non-current lease liabilities	6(30)	737,946	2	668,384	2
2630	Long-term deferred revenue		72,438	-	-	-
2640	Net defined benefit liability, non-current	6(13)	511,651	2	480,107	2
2645	Guarantee deposits	6(30)	21,670	-	1,095	-
2670	Other non-current liabilities		-	-	4,500	-
25XX	<b>Total non-current liabilities</b>		<u>8,629,096</u>	<u>25</u>	<u>9,752,947</u>	<u>29</u>
2XXX	<b>Total liabilities</b>		<u>14,249,062</u>	<u>41</u>	<u>14,654,648</u>	<u>43</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	21	7,272,401	21
Capital surplus		6(16)				
3200	Capital surplus		6,059,651	17	6,059,651	17
Retained earnings		6(17)				
3310	Legal reserve		1,837,894	5	1,579,478	5
3320	Special reserve		19,802	-	-	-
3350	Unappropriated retained earnings		5,498,370	15	4,759,511	14
Other equity interest		6(18)				
3410	Financial statements translation differences of foreign operations		( 61,330)	-	( 89,682)	-
3420	Unrealized gain on valuation of financial assets at fair value through other comprehensive income		204,964	1	69,880	-
31XX	<b>Equity attributable to equity holders of the Company</b>		<u>20,831,752</u>	<u>59</u>	<u>19,651,239</u>	<u>57</u>
3XXX	<b>Total equity</b>		<u>20,831,752</u>	<u>59</u>	<u>19,651,239</u>	<u>57</u>
Significant contingent liabilities and unrecognized contract commitments		9				
3X2X	<b>Total liabilities and equity</b>		\$ 35,080,814	100	\$ 34,305,887	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,			
			2020		2019	
	Items	Notes	Amount	%	Amount	%
4000	Revenue	6(19)	\$ 23,011,381	100	\$ 20,337,881	100
5000	Cost of revenue	6(5)(25)(26)	( 17,979,208)	( 78)	( 16,411,742)	( 81)
5900	Gross profit		<u>5,032,173</u>	<u>22</u>	<u>3,926,139</u>	<u>19</u>
	Operating expenses	6(25)(26)				
6100	Sales and marketing expenses		( 56,978)	-	( 56,076)	-
6200	General and administrative expenses		( 528,759)	( 2)	( 498,241)	( 3)
6300	Research and development expenses		( 1,015,512)	( 5)	( 1,007,631)	( 5)
6000	Total operating expenses		( 1,601,249)	( 7)	( 1,561,948)	( 8)
6500	Other income (expenses), net	6(20)	<u>135,578</u>	<u>1</u>	<u>92,928</u>	<u>1</u>
6900	Operating profit		<u>3,566,502</u>	<u>16</u>	<u>2,457,119</u>	<u>12</u>
	Non-operating income (expenses)					
7100	Interest income	6(21)	27,778	-	64,368	1
7010	Other income	6(22)	21,157	-	10,759	-
7020	Other gains and losses	6(23)	( 323,267)	( 1)	833,261	4
7050	Finance costs	6(24)	( 171,482)	( 1)	( 180,262)	( 1)
7060	Share of loss of associates and joint ventures accounted for using equity method		( 147,329)	( 1)	( 154,926)	( 1)
7000	Total non-operating income (expenses)		( 593,143)	( 3)	573,200	3
7900	<b>Profit before income tax</b>		<u>2,973,359</u>	<u>13</u>	<u>3,030,319</u>	<u>15</u>
7950	Income tax expense	6(27)	( 605,876)	( 3)	( 446,158)	( 2)
8200	<b>Profit for the year</b>		<u>\$ 2,367,483</u>	<u>10</u>	<u>\$ 2,584,161</u>	<u>13</u>
	<b>Other comprehensive income (loss)</b>					
8311	(Loss) profit on remeasurements of defined benefit plans	6(13)	(\$ 51,990)	-	\$ 20,916	-
8316	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	6(6)	140,199	1	( 52,549)	-
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		23,143	-	5,732	-
8349	Income tax effect on components that will not be reclassified to profit or loss	6(27)	( 17,642)	-	6,327	-
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss		<u>93,710</u>	<u>1</u>	<u>( 19,574)</u>	<u>-</u>
8361	Exchange differences on translation of foreign operations	6(18)	<u>28,352</u>	<u>-</u>	<u>( 104,198)</u>	<u>( 1)</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss		<u>28,352</u>	<u>-</u>	<u>( 104,198)</u>	<u>( 1)</u>
8300	<b>Other comprehensive income (loss), net of income tax</b>		<u>\$ 122,062</u>	<u>1</u>	<u>(\$ 123,772)</u>	<u>( 1)</u>
8500	<b>Total comprehensive income for the year</b>		<u>\$ 2,489,545</u>	<u>11</u>	<u>\$ 2,460,389</u>	<u>12</u>
9750	Earnings per share - basic	6(28)	<u>\$ 3.26</u>		<u>\$ 3.55</u>	
9850	Earnings per share - diluted	6(28)	<u>\$ 3.21</u>		<u>\$ 3.51</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)

	Notes	Equity attributable to equity holders of the Company							Total equity
		Capital stock — common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Other equity interest Unrealized gain on valuation of financial assets at fair value through other comprehensive income	
<u>Year 2019</u>									
Balance at January 1, 2019		\$ 7,528,577	\$ 6,280,482	\$ 1,469,170	\$ -	\$ 3,635,372	\$ 14,516	\$ 106,898	\$ 18,070,811
Profit for the year		-	-	-	-	2,584,161	-	-	2,584,161
Other comprehensive income (loss)	6(18)	-	-	-	-	17,372	(104,198)	(36,946)	(123,772)
Total comprehensive income (loss) for the year		-	-	-	-	2,601,533	(104,198)	(36,946)	2,460,389
Appropriation of prior year's earnings:	6(17)	-	-	-	-	-	-	-	-
Legal reserve		-	-	110,308	-	(110,308)	-	-	-
Cash dividends		-	-	-	-	(872,718)	-	-	(872,718)
Restricted shares	6(14)	(477)	(412)	-	-	10	-	1,701	822
Cancellation of treasury stock	6(15)	(255,699)	(212,354)	-	-	(494,450)	-	-	-
Disposal of investment accounted for using equity method	6(18)	-	(8,065)	-	-	72	-	(72)	(8,065)
Balance at December 31, 2019		\$ 7,272,401	\$ 6,059,651	\$ 1,579,478	\$ -	\$ 4,759,511	\$ 89,682	\$ 69,880	\$ 19,651,239
<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

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,	
		2020	2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before income tax		\$ 2,973,359	\$ 3,030,319
Adjustments to reconcile profit (loss)			
Depreciation expenses	6(8)(9)(25)	4,175,519	3,731,914
(Reversal of) expected credit losses		264	( 806 )
Interest expense	6(24)	162,400	171,075
Interest income	6(21)	( 27,778 )	( 64,368 )
Dividend income	6(22)	( 3,229 )	( 585 )
Share-based payments	6(14)(26)	-	822
Share of loss of associates and joint ventures accounted for using equity method		147,329	154,926
Gain on valuation of financial assets at fair value through profit or loss	6(2)(23)	( 24,015 )	( 1,317 )
Gain on disposal of property, plant and equipment	6(20)	( 48,070 )	( 20,271 )
Impairment loss on property, plant and equipment	6(8)(20)	-	9,938
Gain on disposal of investment accounted for using equity method	6(7)(23)	-	( 981,675 )
Deferred income		( 10,143 )	( 12,279 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		( 28,435 )	1,750
Current contract assets		( 11,150 )	( 78,013 )
Notes receivable		166	830
Accounts receivable		( 911,521 )	293,579
Accounts receivable—related parties		1,045	( 905 )
Other receivables		13,529	( 8,082 )
Other receivables—related parties		4,923	12,437
Inventories		( 334,433 )	11,193
Prepayments		( 10,485 )	( 4,333 )
Other non-current assets		6,337	6,914
Changes in operating liabilities			
Current contract liabilities		( 1,231 )	( 201 )
Notes payable		2,899	-
Accounts payable		167,273	182,277
Accounts payable—related parties		-	( 347 )
Other payables		112,151	331,207
Other payables—related parties		-	( 218 )
Current provisions		1,465	( 27,354 )
Current refund liabilities		( 16,136 )	( 6,627 )
Other current liabilities		( 11,183 )	1,442
Net defined benefit liability, non-current		( 20,446 )	( 19,742 )
Cash generated from operations		6,310,404	6,713,500
Interest received		32,817	67,105
Dividend received		23,229	20,585
Interest paid		( 150,135 )	( 171,149 )
Income tax paid		( 276,079 )	( 637,169 )
Net cash generated from operating activities		5,940,236	5,992,872

(Continued)

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

	Notes	Years ended December 31,	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in financial assets at amortized cost		( \$ 17,381 )	\$ 30,851
Proceeds from disposal of investment accounted for using equity method	6(7)	-	1,180,179
Acquisition of property, plant and equipment	6(29)	( 3,961,026 )	( 5,440,621 )
Proceeds from disposal of property, plant and equipment		87,107	21,434
(Increase) decrease in refundable deposits		( 41 )	861
Increase in other non-current assets		( 10,919 )	( 45,480 )
Increase in long-term deferred revenue		85,909	4,500
Proceeds from capital reduction of investments accounted for using equity method		17,000	-
Net cash used in investing activities		( 3,799,351 )	( 4,248,276 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
	6(30)		
Proceeds from short-term bank loans		151,071	834,955
Payments on short-term bank loans		( 151,071 )	( 834,955 )
Payments on lease liabilities		( 84,928 )	( 48,161 )
Proceeds from long-term bank loans		4,429,593	-
Payments on long-term bank loans		( 5,756,450 )	( 756,450 )
Increase in guarantee deposits		575	3
Cash dividend paid	6(17)	( 1,309,032 )	( 872,718 )
Net cash used in financing activities		( 2,720,242 )	( 1,677,326 )
Effect of foreign exchange rate changes		( 11,076 )	( 5,708 )
Net (decrease) increase in cash and cash equivalents		( 590,433 )	61,562
Cash and cash equivalents at beginning of year		4,704,084	4,642,522
Cash and cash equivalents at end of year		\$ 4,113,651	\$ 4,704,084

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, 2020 AND 2019

(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 March 16, 2021.

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board (“IASB”)</u>
Amendments to International Accounting Standards (“IAS”) 1 and IAS 8, “Disclosure Initiative – Definition of Material”	January 1, 2020
Amendments to IFRS 3, “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, “Interest Rate Benchmark Reform”	January 1, 2020
Amendment to IFRS 16, “Covid-19-Related Rent Concessions”	June 1, 2020 (Note)

Note: Early adoption from January 1, 2020 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 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date issued by IASB</u>
Amendments to IFRS 4, “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, “Interest Rate Benchmark Reform-Phase 2”	January 1, 2021



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 3, "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IAS 1, "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1, "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8, "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 16, "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37, "Onerous Contracts—Cost of Fulfilling a Contract"	January 1, 2022
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022

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:

<u>Name of investor</u>	<u>Name of investee</u>	<u>Main business</u>	<u>Percentage of Ownership (%)</u>		<u>Note</u>
			<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	
The Company	ChipMOS U.S.A., Inc. ("ChipMOS USA")	Marketing of semiconductors and electronic related products	100	100	

Name of investor	Name of investee	Main business	Percentage of Ownership (%)		Note
			December 31, 2020	December 31, 2019	
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	-	Note

Note: In order to maintain and develop market in the People's Republic of China ("P.R.C."), the Group invested and established the subsidiary, ChipMOS Shanghai on April 8, 2020 and then included it in the consolidated financial statements.

- 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) Employee share-based payments

### Restricted shares

- A. Restricted shares issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.
- B. For restricted shares where those shares do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognizes the fair value of the dividends received by employees who are

expected to resign during the vesting period as a compensation cost at the date the dividends were declared.

- C. For restricted shares where employees do not need to pay to acquire those shares, if an employee resigns during the vesting period, the Group will recover and retire those shares at no cost.

(24) 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.

(25) 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.

(26) Dividends

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

(27) 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.

(28) 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.

(29) 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, 2020</u>	<u>December 31, 2019</u>
Cash on hand and petty cash	\$ 470	\$ 470
Checking accounts and demand deposits	2,609,421	915,134
Time deposits	<u>1,503,760</u>	<u>3,788,480</u>
	<u>\$ 4,113,651</u>	<u>\$ 4,704,084</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, 2020</u>	<u>December 31, 2019</u>
Current:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 46,512	\$ -
Valuation adjustment	<u>6,608</u>	<u>-</u>
	<u>\$ 53,120</u>	<u>\$ -</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current:		
Financial assets mandatorily measured at fair value through profit or loss		
Foreign partnership interests	\$ 10,940	\$ 10,940
Valuation adjustment	( 572)	98
	<u>\$ 10,368</u>	<u>\$ 11,038</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>2020</u>	<u>2019</u>
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 18,077	\$ 1,750
Listed stocks	6,608	-
Foreign partnership interests	( 670)	( 433)
	<u>\$ 24,015</u>	<u>\$ 1,317</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, 2020</u>	<u>December 31, 2019</u>
Current:		
Time deposits	\$ 206,482	\$ 168,970
Non-current:		
Restricted bank deposits	\$ 48,319	\$ 68,450

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

	<u>2020</u>	<u>2019</u>
Interest income	\$ 2,206	\$ 4,467

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, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	\$ 5,365,776	\$ 4,454,255
Less: Loss allowance	( 1,620)	( 1,351)
	<u>\$ 5,364,156</u>	<u>\$ 4,452,904</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, 2020</u>	<u>December 31, 2019</u>
Current	\$ 5,272,208	\$ 4,440,081
Within 1 month	93,568	13,733
1-2 months	<u>-</u>	<u>441</u>
	<u>\$ 5,365,776</u>	<u>\$ 4,454,255</u>

C. As of December 31, 2020 and 2019, accounts receivable were all from contracts with customers. And as of January 1, 2019, the balance of accounts receivable from contracts with customers was \$4,745,693.

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, 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>

	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for impairment losses</u>	<u>Carrying amount</u>
Raw materials	<u>\$ 1,831,140</u>	<u>(\$ 63,498)</u>	<u>\$ 1,767,642</u>

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

	<u>2020</u>	<u>2019</u>
Cost of revenue	\$ 17,957,568	\$ 16,372,032
Loss on abandonment	5,323	12,369
Allowance for inventory valuation and obsolescence loss	<u>16,317</u>	<u>27,341</u>
	<u>\$ 17,979,208</u>	<u>\$ 16,411,742</u>

A. Allowance for inventory valuation and obsolescence loss was recognized due to the change in net realizable market 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, 2020</u>	<u>December 31, 2019</u>
Designation of equity instruments		
Foreign unlisted stocks	\$ 38,534	\$ 38,534
Valuation adjustment	<u>223,473</u>	<u>83,274</u>
	<u>\$ 262,007</u>	<u>\$ 121,808</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, 2020 and 2019, 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>2020</u>	<u>2019</u>
Financial assets at fair value through other comprehensive income		
Foreign unlisted stocks	\$ <u>140,199</u>	(\$ <u>52,549</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, 2020</u>	<u>December 31, 2019</u>
JMC ELECTRONICS CO., LTD. ("JMC")	\$ 250,769	\$ 249,793
Unimos Microelectronics (Shanghai) Co., Ltd. ("Unimos Shanghai")	<u>3,020,908</u>	<u>3,143,117</u>
	<u>\$ 3,271,677</u>	<u>\$ 3,392,910</u>

A. The basic information and summarized financial information of the associate that are material to the Group are as follows:

(a) Basic information

<u>Company name</u>	<u>Principal place of business</u>	<u>Shareholding ratio</u>		<u>Nature of relationship</u>	<u>Method of measurement</u>
		<u>December 31, 2020</u>	<u>December 31, 2019</u>		
Unimos Shanghai	Shanghai, People's Republic of China ("P.R.C.")	45.02%	45.02%	Strategic Investee	Equity method

(b) Summarized financial information

Balance sheet

	Unimos Shanghai	
	December 31, 2020	December 31, 2019
Current assets	\$ 2,438,725	\$ 3,042,377
Non-current assets	3,905,089	3,499,819
Current liabilities	( 618,949)	( 459,502)
Non-current liabilities	( 248,583)	( 448,929)
Total net assets	<u>\$ 5,476,282</u>	<u>\$ 5,633,765</u>
Share in associate's net assets	\$ 2,465,651	\$ 2,536,558
Depreciable assets	533,139	584,441
Goodwill	<u>22,118</u>	<u>22,118</u>
Carrying amount of the associate	<u>\$ 3,020,908</u>	<u>\$ 3,143,117</u>

Statement of comprehensive income

	Unimos Shanghai	
	2020	2019
Revenue	<u>\$ 1,739,880</u>	<u>\$ 1,584,648</u>
Loss for the year from continuing operations	(\$ 246,220)	(\$ 352,008)
Other comprehensive income, net of income tax	-	-
Total comprehensive loss	<u>(\$ 246,220)</u>	<u>(\$ 352,008)</u>
Dividends received from the associate	<u>\$ -</u>	<u>\$ -</u>

- B. 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, 2020 and 2019, the carrying amount of the Group's individually immaterial associates amounted to \$250,769 and \$249,793, respectively.

	2020	2019
Profit for the year from continuing operations	\$ 14,833	\$ 63,838
Other comprehensive income, net of income tax	<u>23,143</u>	<u>5,732</u>
Total comprehensive income	<u>\$ 37,976</u>	<u>\$ 69,570</u>

- C. JMC has quoted market prices. As of December 31, 2020 and 2019, the fair value was \$454,010 and \$807,000, respectively.
- D. To further strengthen financial structure, increase balance of working capital and reduce debt ratio, the Company's Board of Directors adopted a resolution on April 2, 2019 to dispose of 9,100,000 common shares of JMC, which reduced the shareholding of equity investment in JMC to 10%. The disposal of shares was completed on April 8, 2019 for cash consideration of \$1,180,179, and the Company recognized gain on disposal of investment in associates amounted to \$981,675. JMC



is still recognized as investment accounted for using equity method given that the Company retains significant influence by holding two seats in JMC's Board of Directors.

(8) Property, plant and equipment

	2020						
	Land	Buildings	Machinery and equipment	Tools	Others	Construction in progress and equipment to be inspected	Total
<u>January 1</u>							
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>
<u>December 31</u>							
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>

	2019						
	Land	Buildings	Machinery and equipment	Tools	Others	Construction in progress and equipment to be inspected	Total
<u>January 1</u>							
Cost	\$ 452,738	\$ 10,254,531	\$ 48,274,171	\$ 4,402,711	\$ 2,610,893	\$ 1,069,892	\$ 67,064,936
Accumulated depreciation and impairment	-	( 6,345,800)	( 38,042,078)	( 3,660,532)	( 2,196,905)	-	( 50,245,315)
	<u>\$ 452,738</u>	<u>\$ 3,908,731</u>	<u>\$ 10,232,093</u>	<u>\$ 742,179</u>	<u>\$ 413,988</u>	<u>\$ 1,069,892</u>	<u>\$ 16,819,621</u>
January 1	\$ 452,738	\$ 3,908,731	\$ 10,232,093	\$ 742,179	\$ 413,988	\$ 1,069,892	\$ 16,819,621
Effects on initial application of IFRS 16	-	-	-	-	( 31,904)	-	( 31,904)
Adjusted balance at January 1	452,738	3,908,731	10,232,093	742,179	382,084	1,069,892	16,787,717
Additions	-	116,238	2,334,358	781,465	224,287	1,440,308	4,896,656
Disposals	-	-	( 16,033)	( 9,336)	( 416)	-	( 25,785)
Reclassifications	-	455,792	1,111,715	7,880	25,042	( 1,573,811)	26,618
Depreciation expenses	-	( 384,832)	( 2,489,070)	( 625,712)	( 196,201)	-	( 3,695,815)
Impairment losses	-	-	( 9,938)	-	-	-	( 9,938)
Exchange adjustment	-	-	( 4)	-	( 5)	-	( 9)
December 31	<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>
<u>December 31</u>							
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>

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:

	2020	2019
Amount of interest capitalized	\$ 9,762	\$ 15,114
Range of the interest rates for capitalization	1.4909%	1.7822%

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 2 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, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 636,261	\$ 669,967
Buildings	19,044	15,043
Machinery and equipment	203,249	-
Others	515	2,058
	<u>\$ 859,069</u>	<u>\$ 687,068</u>

	<u>2020</u>	<u>2019</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Land	\$ 20,938	\$ 22,657
Buildings	7,819	7,113
Machinery and equipment	46,225	4,520
Others	1,544	1,809
	<u>\$ 76,526</u>	<u>\$ 36,099</u>

C. For the year ended December 31, 2020 and 2019, additions to right-of-use assets were \$261,798 and \$11,183, respectively.

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

	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 13,442	\$ 14,349
Expense on short-term lease contracts	202,782	230,589

E. For the year ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$274,727 and \$273,709, respectively.

(10) Accounts payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable	\$ 766,805	\$ 419,520
Estimated accounts payable	200,016	400,028
	<u>\$ 966,821</u>	<u>\$ 819,548</u>

(11) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payable to equipment suppliers	\$ 1,145,359	\$ 972,770
Employees' compensation payable	332,080	338,356
Salaries and bonuses payable	788,720	741,027
Pension payable	15,159	31,009
Directors' remuneration payable	16,604	16,918
Interest payable	1,958	889
Other expense payable	<u>949,523</u>	<u>876,067</u>
	<u>\$ 3,249,403</u>	<u>\$ 2,977,036</u>

(12) Long-term bank loans

<u>Type of loans</u>	<u>Period and payment term</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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	\$ 3,310,000	\$ 9,066,000
Government granted bank loans	Borrowing period is from March 11, 2020 to February 15, 2030; interest is repayable monthly; principal is repayable monthly from March 15, 2023	4,505,000	-
Less: Fee on syndicated bank loan		( 17,223)	( 24,355)
Less: Unamortized interest on government granted bank loans		( 64,212)	-
Less: Current portion (fee included)		<u>( 748,353)</u>	<u>( 748,419)</u>
		<u>\$ 6,985,212</u>	<u>\$ 8,293,226</u>
Interest rate range		<u>0.65%~1.7895%</u>	<u>1.7895%</u>
Unused credit lines of long-term bank loans			
NT\$		<u>\$ 11,239,000</u>	<u>\$ 1,800,000</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 and March 2020 with the line of credit amounted to NT\$12.144 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 related to the long-term bank loans that are pledged to others as collaterals is provided in Note 8.

(13) 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, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	(\$ 943,391)	(\$ 901,159)
Fair value of plan assets	<u>431,740</u>	<u>421,052</u>
Net defined benefit liability	<u>(\$ 511,651)</u>	<u>(\$ 480,107)</u>

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

	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)

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1	(\$ 910,081)	\$ 389,316	(\$ 520,765)
Current services cost	( 332)	-	( 332)
Interest (expense) income	( 11,170)	4,831	( 6,339)
	( 921,583)	394,147	( 527,436)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	12,601	12,601
Financial assumption movement effect	( 27,993)	-	( 27,993)
Experience adjustments	36,308	-	36,308
	8,315	12,601	20,916
Pension fund contribution	-	26,413	26,413
Paid pension	12,109	( 12,109)	-
December 31	(\$ 901,159)	\$ 421,052	(\$ 480,107)

(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, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	<u>2020</u>	<u>2019</u>
Discount rate	<u>0.50%</u>	<u>1.00%</u>
Future salary increase	<u>3.50%</u>	<u>3.50%</u>

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

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

	<u>Discount rate</u>		<u>Future salary increase</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
December 31, 2020				
Effect on present value of defined benefit obligations	(\$ 29,114)	\$ 30,434	\$ 29,471	(\$ 28,365)
December 31, 2019				
Effect on present value of defined benefit obligations	(\$ 27,993)	\$ 29,284	\$ 28,501	(\$ 27,407)

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, 2021 amounts to \$26,261.

- (f) As of December 31, 2020, the weighted average duration of that retirement plan is 12.6 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	35,066
1-2 years		35,198
2-5 years		122,969
5-10 years		165,979
	<u>\$</u>	<u>359,212</u>

#### B. Defined Contribution Plans

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, 2020 and 2019 were \$184,562 and \$187,502, respectively.

#### (14) Share-based payments

##### Restricted shares

- A. On July 14, 2015, the Company’s Board of Directors approved the issuance of restricted shares.

The record dates for the shares issuance was May 10, 2016. The relevant information is as follows:

Type of arrangement	Grant date	Share price on grant date (in dollars)	Number of shares (in thousands)	Contract Period	Vesting condition
Restricted shares award agreement	May 10, 2016	30.6	1,548	3 years	Meet service and performance conditions

The restricted shares issued by the Company cannot be transferred during the vesting period, but voting right and dividend right are not restricted. Employees are required to return the shares but not required to return the dividends received if they resign during the vesting period. When the employees accomplish the years of service and performance conditions, the received restricted shares will be vested based on the vesting ratio.

- B. As of December 31, 2019, there were no outstanding restricted shares.  
C. The expense incurred on share-based payment transactions for the year ended December 31, 2019 was \$822.

#### (15) Capital stock

- A. As of December 31, 2020, 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, 2020, the outstanding ADSs were approximately 4,270,600 units representing 85,412 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. Movements in the number of the Company's ordinary shares outstanding are as follows:

	<u>Number of shares (in thousands)</u>	
	<u>2020</u>	<u>2019</u>
January 1	727,240	727,265
Restricted shares – cancelled	-	(25)
December 31	<u>727,240</u>	<u>727,240</u>

D. Treasury stock

(a) On March 7, 2019 and August 6, 2019, the Company's Board of Directors approved the cancellation of treasury stock 25,570 thousand shares amounted to \$962,503. As of December 31, 2019, all of the Company's treasury stocks were cancelled.

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares repurchased as treasury stock may not exceed 10% of the number of the Company's issued shares and the amount bought back may not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury stock may not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury stock should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury stock to enhance the Company's credit rating and the stockholders' equity should be retired within six months from acquisition.

(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.

	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>

	2019			
	Share premium	Employee restricted shares	Long-term investment	Total
January 1	\$ 5,873,743	\$ 382,506	\$ 24,233	\$6,280,482
Share-based payments	-	( 412)	-	( 412)
Cancellation of treasury stock	( 199,501)	( 12,853)	-	( 212,354)
Disposal of investment accounted for using equity method	-	-	( 8,065)	( 8,065)
December 31	<u>\$ 5,674,242</u>	<u>\$ 369,241</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 2019 and 2018 earnings were resolved in the shareholders' meetings held on June 9, 2020 and June 10, 2019, respectively. The appropriations and dividends per share are as follows:

	2019		2018	
	Amount	Cash distribution per share (in dollars)	Amount	Cash distribution per share (in dollars)
Legal reserve	\$ 258,416		\$ 110,308	
Special reserve	19,802		-	
Cash dividend	1,309,032	\$ 1.80	872,718	\$ 1.20

F. The information relating to employees' compensation and directors' remuneration is provided in Note 6(26).

(18) Other equity interest

	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

	2019			
	Financial statements translation differences of foreign operations	Unrealized gain (loss) on valuation of financial assets at fair value through other comprehensive income	Unearned employee awards	Total
January 1	\$ 14,516	\$ 106,898	(\$ 1,701)	\$ 119,713
Currency translation differences				
- The Company	(104,198)	-	-	(104,198)
Employee restricted shares				
- The Company	-	-	1,701	1,701
Evaluation adjustment				
- The Company	-	(52,549)	-	(52,549)
- Associates	-	5,093	-	5,093
Evaluation adjustment related tax				
- The Company	-	10,510	-	10,510
Disposal of investment accounted for using equity method	-	(72)	-	(72)
December 31	(\$ 89,682)	\$ 69,880	\$ -	(\$ 19,802)

(19) Revenue

	<u>2020</u>	<u>2019</u>
Revenue from contracts with customers	\$ <u>23,011,381</u>	\$ <u>20,337,881</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, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract assets	\$ <u>389,016</u>	\$ <u>377,869</u>	\$ <u>299,835</u>
Contract liabilities (Advance payments)	\$ <u>-</u>	\$ <u>1,231</u>	\$ <u>1,432</u>

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

D. Revenue recognized for the years ended as of December 31, 2020 and 2019 amounted to \$565 and \$766, 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>2020</u>	<u>2019</u>
Gain on disposal of scrapped materials	\$ 51,077	\$ 43,652
Royalty income	2,962	12,336
Gain on disposal of items purchased on behalf of others	30,140	15,080
Gain on disposal of property, plant and equipment	48,070	20,271
Insurance compensation income	-	10,435
Impairment loss on property, plant and equipment	-	( 9,938)
Others	<u>3,329</u>	<u>1,092</u>
	\$ <u>135,578</u>	\$ <u>92,928</u>

(21) Interest income

	<u>2020</u>	<u>2019</u>
Bank deposits	\$ 25,547	\$ 59,901
Imputed interest from deposits	25	-
Financial assets at amortized cost	<u>2,206</u>	<u>4,467</u>
	\$ <u>27,778</u>	\$ <u>64,368</u>

(22) Other income

	2020	2019
Rental income	\$ 10,260	\$ 9,249
Dividend income	3,229	585
Grant income	7,668	925
	<u>\$ 21,157</u>	<u>\$ 10,759</u>

(23) Other gains and losses

	2020	2019
Foreign exchange losses, net	(\$ 355,255)	(\$ 154,993)
Gain on disposal of investment accounted for using equity method	-	981,675
Reimbursement of ADSs service charge	2,101	4,292
Gain on valuation of financial assets at fair value through profit or loss	24,015	1,317
Others	5,872	970
	<u>(\$ 323,267)</u>	<u>\$ 833,261</u>

(24) Finance costs

	2020	2019
Interest expense		
Bank loans	\$ 158,720	\$ 171,840
Lease liabilities	13,442	14,349
Less: Amounts capitalized in qualifying assets	( 9,762)	( 15,114)
	162,400	171,075
Finance expense	9,082	9,187
	<u>\$ 171,482</u>	<u>\$ 180,262</u>

(25) Expenses by nature

	2020	2019
Raw materials and supplies used	\$ 4,708,493	\$ 3,575,283
Employee benefit expenses	6,010,227	6,075,773
Depreciation expenses	4,175,519	3,731,914
Others	4,686,218	4,590,720
	<u>\$ 19,580,457</u>	<u>\$ 17,973,690</u>

(26) Employee benefit expenses

	<u>2020</u>	<u>2019</u>
Salaries	\$ 4,937,591	\$ 5,114,790
Directors' remuneration	28,229	26,266
Labor and health insurance	396,796	422,106
Pension	189,489	194,173
Share-based payments	-	822
Other personnel expenses	<u>458,122</u>	<u>317,616</u>
	<u>\$ 6,010,227</u>	<u>\$ 6,075,773</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, 2020 and 2019, the employees' compensation were accrued at \$332,080 and \$338,356, respectively; the directors' remuneration were accrued at \$16,604 and \$ 16,918, respectively.

C. For the year of 2019, employees' compensation and directors' remuneration recognized were consistent with the amounts resolved in the Board of Directors' meetings.

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>2020</u>	<u>2019</u>
Current income tax:		
Current income tax on profits for the period	\$ 636,876	\$ 408,788
Income tax on unappropriated retained earnings	-	7,019
Prior year income tax overestimation	( 16,763)	( 5,016)
Total current income tax	<u>620,113</u>	<u>410,791</u>
Deferred income tax:		
Relating to origination and reversal of temporary differences	( 14,237)	35,367
Income tax expense	<u>\$ 605,876</u>	<u>\$ 446,158</u>

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

	<u>2020</u>	<u>2019</u>
Unrealized gain (loss) on valuation of financial assets at fair value through other comprehensive income	\$ 28,040	(\$ 10,510)
Remeasurement of defined benefit obligations	( 10,398)	4,183
	<u>\$ 17,642</u>	<u>(\$ 6,327)</u>

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

	<u>2020</u>	<u>2019</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 595,258	\$ 606,917
Effects from adjustments based on regulation	26,974	( 162,924)
Temporary difference not recognized as deferred tax assets	( 4)	( 608)
Prior year income tax overestimation	( 16,763)	( 5,016)
Income tax on unappropriated retained earnings	-	7,019
Effect of different tax rates in countries in which the Group operates	411	770
Income tax expense	<u>\$ 605,876</u>	<u>\$ 446,158</u>

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

	<u>2020</u>			
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
<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>

2019				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<u>Deferred tax assets</u>				
Loss on inventories	\$ 7,232	\$ 5,468	\$ -	\$ 12,700
Property, plant and equipment	64,183	( 25,515)	-	38,668
Provisions	12,396	( 6,796)	-	5,600
Deferred revenue	34,156	( 6,506)	-	27,650
Net defined benefit liability	100,743	( 3,948)	( 4,183)	92,612
Unrealized exchange losses	3,575	13,721	-	17,296
Investment tax credits	4,420	( 4,420)	-	-
Others	11	15	-	26
Total	<u>\$ 226,716</u>	<u>(\$ 27,981)</u>	<u>\$ 4,183)</u>	<u>\$ 194,552</u>
<u>Deferred tax liabilities</u>				
Property, plant and equipment	(\$ 281,594)	(\$ 7,386)	\$ -	(\$ 288,980)
Financial assets at fair value through other comprehensive income	( 27,165)	-	10,510	( 16,655)
Total	<u>(\$ 308,759)</u>	<u>(\$ 7,386)</u>	<u>\$ 10,510</u>	<u>(\$ 305,635)</u>
Information presented on balance sheets:				
Deferred tax assets	<u>\$ 226,716</u>			<u>\$ 194,552</u>
Deferred tax liabilities	<u>(\$ 308,759)</u>			<u>(\$ 305,635)</u>

- D. The Company has not recognized taxable temporary differences associated with investments as deferred tax liabilities. As of December 31, 2020 and 2019, the amounts of temporary differences not recognized as deferred tax liability were \$45,005 and \$180,395, respectively.
- E. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.
- F. 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

2020			
	Amount after	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>	<u>income tax</u>		
Profit attributable to common share of the Company	\$ 2,367,483	727,240	\$ 3.26
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation		9,668	
Profit attributable to common share of the Company	\$ 2,367,483	736,908	\$ 3.21
2019			
	Amount after	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>	<u>income tax</u>		
Profit attributable to common share of the Company	\$ 2,584,161	727,111	\$ 3.55
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation		9,879	
Restricted shares		126	
Profit attributable to common share of the Company	\$ 2,584,161	737,116	\$ 3.51

(29) Supplemental cash flow information

Partial cash paid for investing activities

Property, plant and equipment

	2020	2019
Purchase of property, plant and equipment	\$ 4,133,615	\$ 4,896,656
Add: Beginning balance of payable on equipment	972,770	1,516,735
Less: Ending balance of payable on equipment	(1,145,359)	(972,770)
Cash paid during the year	\$ 3,961,026	\$ 5,440,621

(30) Changes in liabilities from financing activities

	2020			
	Long-term bank loans (including current portion)	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
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 to 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>\$ 7,733,565</u>	<u>\$ 21,670</u>	<u>\$ 870,495</u>	<u>\$ 8,625,730</u>

	2019			
	Long-term bank loans (including current portion)	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
January 1	\$ 9,789,518	\$ 1,092	\$ -	\$ 9,790,610
Effects on initial application of IFRS 16	-	-	884,275	884,275
Adjusted balance at January 1	9,789,518	1,092	884,275	10,674,885
Changes in cash flow from financing activities	( 756,450)	3	( 48,161)	( 804,608)
Adjustment to right-of-use assets	-	-	( 148,512)	( 148,512)
Reclassification to payable on equipment from lease liabilities	-	-	( 9,000)	( 9,000)
Amortization of loan fees	8,577	-	-	8,577
Amortization of interest expense	-	-	14,349	14,349
December 31	<u>\$ 9,041,645</u>	<u>\$ 1,095</u>	<u>\$ 692,951</u>	<u>\$ 9,735,691</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

Name	Relationship
Unimos Shanghai	Associate
JMC	Associate

### (3) Significant related party transactions

None.

### (4) Key management personnel compensation

	2020	2019
Salaries and other short-term employee benefits	\$ 186,854	\$ 178,713
Post-employment compensation	4,258	2,049
	<u>\$ 191,112</u>	<u>\$ 180,762</u>

## 8. PLEDGED ASSETS

Assets	Purpose	Carrying amount	
		December 31, 2020	December 31, 2019
Non-current financial assets at amortized cost	Lease and bank loan	\$ 48,319	\$ 68,450
Property, plant and equipment			
- Land	Bank loan	452,738	452,738
- Buildings	Bank loan	4,092,287	4,095,929
- Machinery and equipment	Bank loan	6,912,544	4,105,912
		<u>\$ 11,505,888</u>	<u>\$ 8,723,029</u>

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) A letter of guarantee was issued by the Bank of Taiwan to the Customs Administration of the Ministry of Finance for making payment of customs-duty deposits when importing. As of December 31, 2020 and 2019, the amounts guaranteed by the Bank of Taiwan were \$99,000 and \$100,800, respectively.

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

	December 31, 2020	December 31, 2019
Property, plant and equipment	<u>\$ 2,331,041</u>	<u>\$ 1,640,712</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, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 14,249,062	\$ 14,654,648
Total assets	<u>35,080,814</u>	<u>34,305,887</u>
Liabilities to assets ratio	<u>40.62%</u>	<u>42.72%</u>

### (2) Financial instruments

#### A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 63,488	\$ 11,038
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	262,007	121,808
Financial assets at amortized cost		
Cash and cash equivalents	4,113,651	4,704,084
Financial assets at amortized cost	254,801	237,420
Notes receivable	599	765
Accounts receivable	5,364,156	4,452,904
Accounts receivable — related parties	-	1,045
Other receivables	51,436	89,676
Other receivables — related parties	-	2,948
Refundable deposits	21,186	21,145
	<u>\$ 10,131,324</u>	<u>\$ 9,642,833</u>

	December 31, 2020	December 31, 2019
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Notes payable	\$ 2,899	\$ -
Accounts payable	966,821	819,548
Other payables	3,249,403	2,977,036
Long-term bank loans (including current portion)	7,733,565	9,041,645
Guarantee deposits	21,670	1,095
	<u>\$ 11,974,358</u>	<u>\$ 12,839,324</u>
Lease liabilities (including current portion)	<u>\$ 870,495</u>	<u>\$ 692,951</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, 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

December 31, 2019			
	Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 188,369	29.9800	\$ 5,647,303
JPY:NTD	266,819	0.2760	73,642
RMB:NTD	6,197	4.3050	26,678
<u>Non-monetary items</u>			
JPY:NTD	441,334	0.2760	121,808
RMB:NTD	730,108	4.3050	3,143,117
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 7,867	29.9800	\$ 235,853
JPY:NTD	1,033,394	0.2760	285,217

- 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, 2020 and 2019, amounted to \$355,255 and \$154,993, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variations:

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	-

2019			
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%	\$ 282,365	\$ -
JPY:NTD	5%	3,682	-
RMB:NTD	5%	1,334	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	5%	\$ 11,793	\$ -
JPY:NTD	5%	14,261	-

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, 2020 and 2019, 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 \$531 and \$0, 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, 2020 and 2019, 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 \$78,150 and \$90,660, 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, 2020 and 2019, the loss rate methodologies are as follows:

	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 )

	December 31, 2019		
	Contract assets	Accounts receivable (including related parties)	Other receivables (including related parties)
Expected loss rate	0.030%	0.030%	0.030%
Total carrying amount	\$ 377,983	\$ 4,455,300	\$ 92,642
Loss allowance	( \$ 114 )	( \$ 1,351 )	( \$ 18 )

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

	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 )

	2019		
	Contract assets	Accounts receivable (including related parties)	Other receivables (including related parties)
January 1	( \$ 135 )	( \$ 2,141 )	( \$ 13 )
Provision for impairment loss	-	-	( 5 )
Reversal of impairment loss	21	790	-
December 31	( \$ 114 )	( \$ 1,351 )	( \$ 18 )

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(12) for details of the unused credit lines of the Group as of December 31, 2020 and 2019.
- iii. The contractual undiscounted cash flows of accounts payable and other payables due within one year and is equivalent to their carrying amounts. 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, 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>

	December 31, 2019				
	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	\$ 914,159	\$ 1,786,842	\$ 6,848,327	\$ -	\$ 9,549,328
Lease liabilities	36,806	60,111	57,836	762,699	917,452
Guarantee deposits	-	-	-	1,095	1,095
	<u>\$ 950,965</u>	<u>\$ 1,846,953</u>	<u>\$ 6,906,163</u>	<u>\$ 763,794</u>	<u>\$ 10,467,875</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 (including related parties), other receivables (including related parties), refundable deposits, long-term bank loans, contract liabilities, 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 on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

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

		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>

	December 31, 2019			
	<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				
- Foreign partnership interests	\$ -	\$ -	\$ 11,038	\$ 11,038
Financial assets at fair value through other comprehensive income				
- Foreign unlisted stocks	<u>-</u>	<u>-</u>	<u>121,808</u>	<u>121,808</u>
	\$ -	\$ -	\$ 132,846	\$ 132,846

(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 values estimates by discounting expected future operating effectiveness and free cash flow 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, 2020 and 2019:

	2020		
	<u>Debt instruments</u>	<u>Equity instruments</u>	<u>Total</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>

	2019		
	<u>Debt instruments</u>	<u>Equity instruments</u>	<u>Total</u>
January 1	\$ 11,471	\$ 174,357	\$ 185,828
Gains or losses recognized in profit or loss			
Recorded as non-operating expenses	( 433)	-	( 433)
Gains or losses recognized in other comprehensive income			
Recorded as unrealized losses on valuation of financial assets at fair value through other comprehensive income	-	( 52,549)	( 52,549)
December 31	<u>\$ 11,038</u>	<u>\$ 121,808</u>	<u>\$ 132,846</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, 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

	Fair value as of December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average method)	Relationship of inputs to fair value
Non-derivative debt instrument:					
Foreign partnership interests	\$ 11,038	Discounted cash flow	Discount rate	0.30%	The lower the discount rate, the higher the fair value
Non-derivative equity instrument:					
Foreign unlisted stocks	121,808	Comparable companies	Price to book ratio multiple	1.22	The higher the multiple, the higher the fair value
			Enterprise value to EBITDA multiple	10.51	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, 2020			
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
	Input	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>
			December 31, 2019			
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
	Input	Change				
Financial assets:						
Foreign partnership interests	Discount rate	Note	\$ -	\$ -	\$ -	\$ -
Foreign unlisted stocks	Price to book ratio multiple	± 1%	-	-	53	53
	Enterprise value to EBITDA multiple	± 1%	-	-	850	900
	Discount for lack of marketability	± 1%	-	-	1,460	1,460
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,363</u>	<u>\$ 2,413</u>

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

### 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, 2020				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	\$ 53,120	0.12	\$ 53,120	
The Company	RYOWA CO., LTD.	N/A	Financial assets at fair value through other comprehensive income	420	259,039	18.12	259,039	
The Company	CONNECTEC JAPAN Corporation	N/A	Financial assets at fair value through other comprehensive income	56,497	2,968	2.74	2,968	
ChipMOS BVI	Shanghai Zuzhu Business Consulting Partnership (Limited Partnership) ("Zuzhu")	N/A	Financial assets at fair value through profit or loss	-	4,472	Note	4,472	
ChipMOS BVI	Shanghai Zuzhan Business Consulting Partnership (Limited Partnership) ("Zuzhan")	N/A	Financial assets at fair value through profit or loss	-	2,150	Note	2,150	
ChipMOS BVI	Shanghai Zuchen Business Consulting Partnership (Limited Partnership) ("Zuchen")	N/A	Financial assets at fair value through profit or loss	-	1,867	Note	1,867	
ChipMOS BVI	Shanghai Guizao Business Consulting Partnership (Limited Partnership) ("Guizao")	N/A	Financial assets at fair value through profit or loss	-	1,879	Note	1,879	

Note: As of December 31, 2020, Zuzhu, Zuzhan, Zuchen, and Guizao have entered into the liquidation process.



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, 2020		Acquisition		Disposal		Balance as of December 31, 2020		
					Number of shares/units (in thousands)	Amount	Number of shares/units (in thousands)	Amount	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	-	\$ -	62,469	\$ 850,000	\$ 850,652	\$ 850,000	\$ 652	-	\$ -
The Company	FSITC Taiwan Money Market Fund	Note	N/A	N/A	-	-	45,486	700,000	700,417	700,000	417	-	-
The Company	Union Money Market Fund	Note	N/A	N/A	-	-	60,209	800,000	800,327	800,000	327	-	-
The Company	UPAMC James Bond Money Market Fund	Note	N/A	N/A	-	-	38,624	650,000	650,058	650,000	58	-	-
The Company	Cathay Taiwan Money Market Fund	Note	N/A	N/A	-	-	47,926	600,000	600,093	600,000	93	-	-
The Company	Taishin Ta-Chong Money Market Fund	Note	N/A	N/A	-	-	45,424	650,000	650,108	650,000	108	-	-
The Company	Prudential Financial Money Market Fund	Note	N/A	N/A	-	-	21,963	350,000	350,172	350,000	172	-	-

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	Transaction		Percentage of consolidated total revenues or total assets (%)
				General ledger account	Amount	
0	The Company	ChipMOS USA	Note	Service expense	\$ 32,626	0.14%
0	The Company	ChipMOS Shanghai	Note	Service expense	7,453	0.03%

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, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized for the year ended December 31, 2020	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	\$ 226,771	\$ 2,929	\$ 2,929	
The Company	JMC	Kaohsiung, Taiwan	Manufacturing, processing and trading of high-end flexible IC substrates for display driver ICs	148,007	165,007		8,300,000	10	250,769	148,328	14,833	Note
The Company	ChipMOS BVI	British Virgin Islands	Holding company	3,087,825	3,072,712		2,413,992,975	100	3,054,763 (	175,642 ) (	175,642)	

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 P.R.C. as of January 1, 2020	Amount remitted from P.R.C./ Amount remitted back to Taiwan for the year ended December 31, 2020	Accumulated amount of remittance from Taiwan to P.R.C. as of December 31, 2020	Net (loss) income of investee for the year ended December 31, 2020	Ownership (%) held by the Company (directly or indirectly)	Investment loss recognized for the year ended December 31, 2020	Carrying amount of investments in P.R.C. as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan through December 31, 2020	Note
Unimos Shanghai	Semiconductor assembling and testing services	\$ 10,817,191	Note 1	\$ 2,885,586	\$ -	\$ -	\$ 246,220	45.02	(\$ 162,162)	\$ 3,020,908	\$ -	Note 2
ChipMOS Shanghai	Marketing of semiconductors and electronic related products	15,113	Note 1	-	15,113	15,113	( 536)	100.00	( 536)	14,877	-	Note 2
Zuzhu	Business consulting services	7,944	Note 1	-	-	-	10,844	Note 3	-	4,472	-	
Zuzhan	Business consulting services	2,324	Note 1	-	-	-	1,808	Note 3	-	2,150	-	
Zuchen	Business consulting services	2,210	Note 1	-	-	-	1,972	Note 3	-	1,867	-	
Guizao	Business consulting services	2,172	Note 1	-	-	-	1,871	Note 3	-	1,879	-	

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.

Note 3: As of December 31, 2020, Zuzhu, Zuzhan, Zuchen, and Guizao have entered into the liquidation process.

Company name	Accumulated amount of remittance from Taiwan to P.R.C. as of December 31, 2020	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	\$ 12,499,051

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

(4) Major shareholders information

Major shareholder name	Number of shares	Ownership (%)	Notes
First Bank in Its Capacity as Master Custodian for Custodial Account of ChipMOS' ADSs	85,412,014	11.74%	Notes 1, 2
Siliconware Precision Industries Co., Ltd.	78,910,390	10.85%	Note 1
Yann Yuan Investment Co., Ltd.	68,050,000	9.35%	Note 1

Note 1: This table is calculated by Taiwan Depository & Clearing Corporation, using total number of ordinary shares and preferred shares held by the shareholders who have completed the company's non-physical registration and delivery (including treasury shares) is more than 5% on the last business day at the end of each quarter. As for the share capital recorded in the company's consolidated financial report and the number of shares which the company has completed the non-physical registration and delivery, may be different from computational basis.

Note 2: Above information if belongs to shareholders delivering the shares to the trust, will be disclosed by the principal individual account of the trustee opened the trust account. As for shareholders who handle the declaration of insider equity holding more than 10% of their shares in accordance with the Securities and Exchange Act, their shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, etc. 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:

	2020						
	<u>Testing</u>	<u>Assembly</u>	<u>LCDD</u>	<u>Bumping</u>	<u>Others</u>	<u>Elimination</u>	<u>Total</u>
Revenue:							
External customers	\$ 5,002,730	\$ 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	<u>( \$ 853,829)</u>	<u>( \$ 523,341)</u>	<u>( \$ 2,213,504)</u>	<u>( \$ 578,890)</u>	<u>( \$ 5,955)</u>	<u>\$ -</u>	<u>( \$ 4,175,519)</u>
Share of profit of associates	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>( \$ 320,578)</u>	<u>\$ 173,249</u>	<u>( \$ 147,329)</u>
Interest income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,778</u>	<u>\$ -</u>	<u>\$ 27,778</u>
Interest expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>( \$ 162,400)</u>	<u>\$ -</u>	<u>( \$ 162,400)</u>
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>

	2019						
	Testing	Assembly	LCDD	Bumping	Others	Elimination	Total
Revenue:							
External customers	\$4,257,800	\$ 5,148,877	\$ 6,922,205	\$ 4,008,999	\$ -	\$ -	\$ 20,337,881
Inter-segment	-	-	-	-	32,808	( 32,808)	-
Total revenue	<u>\$4,257,800</u>	<u>\$ 5,148,877</u>	<u>\$ 6,922,205</u>	<u>\$ 4,008,999</u>	<u>\$ 32,808</u>	<u>(\$ 32,808)</u>	<u>\$ 20,337,881</u>
Operating profit (loss)	<u>\$ 709,142</u>	<u>(\$ 227,096)</u>	<u>\$ 1,740,720</u>	<u>\$ 232,404</u>	<u>\$ 1,931</u>	<u>\$ 18</u>	<u>\$ 2,457,119</u>
Depreciation expenses	<u>(\$ 802,740)</u>	<u>(\$ 521,311)</u>	<u>(\$1,796,951)</u>	<u>(\$ 604,553)</u>	<u>(\$ 6,359)</u>	<u>\$ -</u>	<u>(\$ 3,731,914)</u>
Share of profit of associates	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 370,351)</u>	<u>\$ 215,425</u>	<u>(\$ 154,926)</u>
Interest income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,368</u>	<u>\$ -</u>	<u>\$ 64,368</u>
Interest expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 171,075)</u>	<u>\$ -</u>	<u>(\$ 171,075)</u>
Expenditure for segment assets	<u>\$ 764,105</u>	<u>\$ 548,063</u>	<u>\$ 3,077,806</u>	<u>\$ 506,635</u>	<u>\$ 47</u>	<u>\$ -</u>	<u>\$ 4,896,656</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

	2020		2019	
	Revenue	%	Revenue	%
Testing	\$ 5,002,730	22	\$ 4,257,800	21
Assembly	6,001,964	26	5,148,877	25
LCDD	7,023,003	30	6,922,205	34
Bumping	4,983,684	22	4,008,999	20
	<u>\$ 23,011,381</u>	<u>100</u>	<u>\$ 20,337,881</u>	<u>100</u>

(6) Geographical information

	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 18,341,726	\$ 18,913,501	\$ 15,875,027	\$ 18,727,979
Japan	1,291,026	-	1,905,032	-
Singapore	1,838,394	-	1,333,114	-
P.R.C.	1,105,535	117	789,496	-
Others	<u>434,700</u>	<u>11,845</u>	<u>435,212</u>	<u>5,659</u>
	<u>\$ 23,011,381</u>	<u>\$ 18,925,463</u>	<u>\$ 20,337,881</u>	<u>\$ 18,733,638</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, 2020 and 2019 is as follows:

Company name	2020		2019	
	Amount	%	Amount	%
Customer A	\$ 5,088,544	22	\$ 4,756,755	23
Customer X	2,660,866	12	1,977,427	10
Customer K	2,332,914	10	2,419,612	12
Customer C	2,143,130	9	2,048,260	10

V. Parent Company Only Financial Report of the Most Recent Year

**REPORT OF INDEPENDENT ACCOUNTANTS**

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

***Opinion***

We have audited the accompanying parent company only balance sheets of ChipMOS TECHNOLOGIES INC. (the “Company”) as of December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent accountants, as described in the *Other matters* section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”.

***Basis for opinion***

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Independent accountants’ responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants 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 Company’s 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.



Key audit matters for the Company's 2020 parent company only financial statements are stated as follows:

**Measuring progress towards satisfaction of performance obligation**

Description

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

The Company'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 Company recognized revenue associated with assembly services, services for Liquid Crystal Display and other Flat-Panel Display Driver Semiconductors and Bumping totaling NT\$18,008,651 thousand for the year ended December 31, 2020. Such revenue is recognized over a period of time, during which the Company satisfied its performance obligations to the customer. The Company 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 under 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 parent company only 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 under the equity method amounted to NT\$250,769 thousand and NT\$249,793 thousand, constituting 0.7% and 0.7% of the total assets as at December 31, 2020 and 2019, respectively, and total net comprehensive income including the share of profit and other comprehensive income of associate accounted for under the equity method amounted to NT\$37,976 thousand and NT\$69,570 thousand, constituting 1.5% and 2.8% of the total comprehensive income for the years then ended, respectively.

### ***Responsibilities of management and those charged with governance for the parent company only financial statements***

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”, and for such internal controls as management determines are necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company 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 Company’s financial reporting process.

### ***Independent accountants’ responsibilities for the audit of the parent company only financial statements***

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of

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

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

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

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

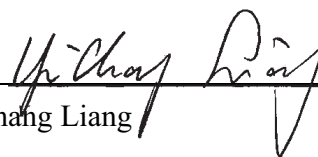
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or 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

For and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2021



Yi-Chang Liang

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

ChipMOS TECHNOLOGIES INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 4,077,084	12	\$ 4,619,365	14
1110	Current financial assets at fair value through profit or loss	6(2)	53,120	-	-	-
1140	Current contract assets	6(19)	389,016	1	377,869	1
1150	Notes receivable, net		599	-	765	-
1170	Accounts receivable, net	6(4)	5,364,156	16	4,452,904	13
1180	Accounts receivable—related parties, net		-	-	1,045	-
1200	Other receivables		49,961	-	89,652	-
1210	Other receivables—related parties		-	-	2,948	-
1220	Current tax assets		-	-	138,941	1
130X	Inventories	6(5)	2,102,075	6	1,767,642	5
1410	Prepayments		74,068	-	57,502	-
11XX	Total current assets		12,110,079	35	11,508,633	34
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(6)	262,007	1	121,808	-
1535	Non-current financial assets at amortized cost	6(3) and 8	48,319	-	68,450	-
1550	Investments accounted for using equity method	6(7)	3,532,303	10	3,660,575	11
1600	Property, plant and equipment	6(8) and 8	17,994,126	51	17,978,949	52
1755	Right-of-use assets	6(9)	847,667	2	681,904	2
1840	Deferred tax assets	6(27)	185,691	1	194,552	1
1920	Refundable deposits		20,420	-	20,322	-
1990	Other non-current assets		71,708	-	67,126	-
15XX	Total non-current assets		22,962,241	65	22,793,686	66
1XXX	Total assets		\$ 35,072,320	100	\$ 34,302,319	100

(Continued)

ChipMOS TECHNOLOGIES INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
<b>Liabilities</b>						
<b>Current liabilities</b>						
2130	Current contract liabilities	6(19)	\$ -	-	\$ 1,231	-
2150	Notes payable		2,899	-	-	-
2170	Accounts payable	6(10)	966,821	3	819,548	2
2200	Other payables	6(11)	3,248,974	9	2,977,036	9
2220	Other payables—related parties		3,358	-	2,628	-
2230	Current tax liabilities		474,765	1	268,825	1
2250	Current provisions		3,463	-	1,998	-
2280	Current lease liabilities	6(30)	126,948	1	19,218	-
2310	Receipts in advance		10,790	-	988	-
2320	Long-terms bank loans, current portion	6(12)(30)	748,353	2	748,419	2
2365	Current refund liabilities		9,864	-	26,000	-
2399	Other current liabilities		21,050	-	32,242	-
21XX	<b>Total current liabilities</b>		<u>5,617,285</u>	<u>16</u>	<u>4,898,133</u>	<u>14</u>
<b>Non-current liabilities</b>						
2540	Long-terms bank loans	6(12)(30)	6,985,212	20	8,293,226	24
2570	Deferred tax liabilities	6(27)	300,179	1	305,635	1
2580	Non-current lease liabilities	6(30)	732,133	2	668,384	2
2630	Long-term deferred revenue		72,438	-	-	-
2640	Net defined benefit liability, non-current	6(13)	511,651	2	480,107	2
2645	Guarantee deposits	6(30)	21,670	-	1,095	-
2670	Other non-current liabilities		-	-	4,500	-
25XX	<b>Total non-current liabilities</b>		<u>8,623,283</u>	<u>25</u>	<u>9,752,947</u>	<u>29</u>
2XXX	<b>Total liabilities</b>		<u>14,240,568</u>	<u>41</u>	<u>14,651,080</u>	<u>43</u>
<b>Equity</b>						
Capital stock		6(15)				
3110	Capital stock—common stock		7,272,401	21	7,272,401	21
Capital surplus		6(16)				
3200	Capital surplus		6,059,651	17	6,059,651	17
Retained earnings		6(17)				
3310	Legal reserve		1,837,894	5	1,579,478	5
3320	Special reserve		19,802	-	-	-
3350	Unappropriated retained earnings		5,498,370	16	4,759,511	14
Other equity interest		6(18)				
3400	Other equity interest		143,634	-	(19,802)	-
3XXX	<b>Total equity</b>		<u>20,831,752</u>	<u>59</u>	<u>19,651,239</u>	<u>57</u>
Significant contingent liabilities and unrecognized contract commitments		9				
3X2X	<b>Total liabilities and equity</b>		\$ 35,072,320	100	\$ 34,302,319	100

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

ChipMOS TECHNOLOGIES INC.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Years ended December 31,			
		2020		2019	
		Amount	%	Amount	%
4000 Revenue	6(19)	\$ 23,011,381	100	\$ 20,337,881	100
5000 Cost of revenue	6(5)(25)(26)	( 17,979,208)	( 78)	( 16,411,742)	( 81)
5900 Gross profit		<u>5,032,173</u>	<u>22</u>	<u>3,926,139</u>	<u>19</u>
Operating expenses	6(25)(26)and 7				
6100 Sales and marketing expenses		( 96,635)	( 1)	( 88,902)	( 1)
6200 General and administrative expenses		( 478,907)	( 2)	( 467,364)	( 2)
6300 Research and development expenses		( 1,015,512)	( 4)	( 1,007,631)	( 5)
6000 Total operating expenses		( 1,591,054)	( 7)	( 1,563,897)	( 8)
6500 Other income (expenses), net	6(20)	<u>135,602</u>	<u>1</u>	<u>92,928</u>	<u>1</u>
6900 Operating profit		<u>3,576,721</u>	<u>16</u>	<u>2,455,170</u>	<u>12</u>
Non-operating income (expenses)					
7100 Interest income	6(21)	25,317	-	59,467	1
7010 Other income	6(22)	21,157	-	10,759	-
7020 Other gains and losses	6(23)	( 321,815)	( 1)	834,423	4
7050 Finance costs	6(24)	( 171,387)	( 1)	( 179,942)	( 1)
7070 Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	6(7)	( 157,880)	( 1)	( 151,587)	( 1)
7000 Total non-operating income (expenses)		( 604,608)	( 3)	573,120	3
7900 Profit before income tax		2,972,113	13	3,028,290	15
7950 Income tax expense	6(27)	( 604,630)	( 3)	( 444,129)	( 2)
8200 Profit for the year		<u>\$ 2,367,483</u>	<u>10</u>	<u>\$ 2,584,161</u>	<u>13</u>

(Continued)

ChipMOS TECHNOLOGIES INC.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Years ended December 31,			
		2020		2019	
		Amount	%	Amount	%
<b>Other comprehensive income (loss)</b>					
8311 (Loss) profit on remeasurements of defined benefit plans	6(13)	(\$ 51,990)	-	\$ 20,916	-
8316 Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	6(6)(18)	140,199	1	( 52,549)	-
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss	6(7)	23,143	-	5,732	-
8349 Income tax effect on components that will not be reclassified to profit or loss	6(27)	( 17,642)	-	6,327	-
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss		93,710	1	( 19,574)	-
8361 Exchange differences on translation of foreign operations		28,352	-	( 104,198)	( 1)
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss		28,352	-	( 104,198)	( 1)
8300 <b>Other comprehensive income (loss), net of income tax</b>		\$ 122,062	1	(\$ 123,772)	( 1)
8500 <b>Total comprehensive income for the year</b>		\$ 2,489,545	11	\$ 2,460,389	12
9750 Earnings per share-basic	6(28)	\$ 3.26		\$ 3.55	
9850 Earnings per share-diluted	6(28)	\$ 3.21		\$ 3.51	

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



ChipMOS TECHNOLOGIES INC.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained earnings				Other equity interest							
		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			Treasury stock	Total equity	
Year 2019													
Balance at January 1, 2019		\$ 7,528,577	\$ 6,280,482	\$ 1,469,170	\$ -	\$ 3,635,372	\$ 14,516	\$ 106,898	\$ 1,701	\$ 962,503	\$ 18,070,811		
Profit for the year	6(18)	-	-	-	-	2,584,161	-	-	-	-	2,584,161		
Other comprehensive income (loss)		-	-	-	-	17,372	(104,198)	(36,946)	-	-	(123,772)		
Total comprehensive income (loss) for the year		-	-	-	-	2,601,533	(104,198)	(36,946)	-	-	2,460,389		
Appropriation of prior year's earnings:													
Legal reserve	6(17)	-	-	110,308	-	(110,308)	-	-	-	-	-		
Cash dividends		-	-	-	-	(872,718)	-	-	-	-	(872,718)		
Restricted shares	6(14)	(477)	(412)	-	-	10	-	-	1,701	-	822		
Cancellation of treasury stock	6(15)	(255,699)	(212,354)	-	-	(494,450)	-	-	-	962,503	-		
Disposal of investment accounted for using equity method	6(18)	-	(8,065)	-	-	72	-	(72)	-	-	(8,065)		
Balance at December 31, 2019		\$ 7,272,401	\$ 6,059,651	\$ 1,579,478	\$ -	\$ 4,759,511	\$ 89,682	\$ 69,880	\$ -	\$ -	\$ 19,651,239		
Year 2020													
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	6(18)	-	-	-	-	2,367,483	-	-	-	-	2,367,483		
Other comprehensive (loss) income		-	-	-	-	(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:													
Legal reserve	6(17)	-	-	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		

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

ChipMOS TECHNOLOGIES INC.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

		Years ended December 31,	
	Notes	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax		\$ 2,972,113	\$ 3,028,290
Adjustments to reconcile profit (loss)			
Depreciation expenses	6(8)(9)(25)	4,169,565	3,725,555
(Reversal of) expected credit losses		264	( 806 )
Interest expense	6(24)	162,305	170,755
Interest income	6(21)	( 25,317 )	( 59,467 )
Dividends income	6(22)	( 3,229 )	( 585 )
Share-based payments	6(14)	-	822
Share of loss of subsidiaries and associates accounted for using equity method	6(7)	157,880	151,587
Gain on valuation of financial assets at fair value through profit or loss	6(2)(23)	( 24,685 )	( 1,750 )
Gain on disposal of property, plant and equipment	6(20)	( 48,094 )	( 20,271 )
Impairment loss on property, plant and equipment	6(8)(20)	-	9,938
Gain on disposal of investment accounted for using equity method	6(23)	-	( 981,675 )
Deferred income		( 10,143 )	( 12,279 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		( 28,435 )	1,750
Current contract assets		( 11,150 )	( 78,013 )
Notes receivable		166	830
Accounts receivable		( 911,521 )	293,579
Accounts receivable—related parties		1,045	( 905 )
Other receivables		14,900	( 8,079 )
Other receivables—related parties		4,923	12,437
Inventories		( 334,433 )	11,193
Prepayments		( 8,985 )	( 4,333 )
Other non-current assets		6,337	6,914
Changes in operating liabilities			
Current contract liabilities		( 1,231 )	( 201 )
Notes payable		2,899	-
Accounts payable		167,273	182,277
Accounts payable—related parties		-	( 347 )
Other payables		111,627	330,886
Other payables—related parties		730	100
Current provisions		1,465	( 27,354 )
Current refund liabilities		( 16,136 )	( 6,627 )
Other current liabilities		( 11,192 )	1,442
Net defined benefit liability, non-current		( 20,446 )	( 19,742 )
Cash generated from operations		6,318,495	6,705,921
Interest received		30,436	61,507
Dividend received		23,229	20,585
Interest paid		( 150,040 )	( 170,830 )
Income tax paid		( 273,986 )	( 636,642 )
Net cash generated from operating activities		5,948,134	5,980,541

(Continued)

ChipMOS TECHNOLOGIES INC.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
 (Expressed in thousands of New Taiwan dollars)

		Years ended December 31,	
	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in financial assets at amortized cost		\$ 20,131	( \$ 62 )
Proceeds from disposal of investment accounted for using equity method	6(7)	-	1,180,179
Acquisition of property, plant and equipment	6(29)	( 3,960,543 )	( 5,440,574 )
Proceeds from disposal of property, plant and equipment		87,107	21,434
(Increase) decrease in refundable deposits		( 98 )	840
Increase in other non-current assets		( 10,919 )	( 45,480 )
Proceeds from capital reduction of investments accounted for using equity method	6(7)	17,000	-
Acquisition of investments accounted for using equity method	6(7) and 7	( 15,113 )	-
Increase in long-term deferred revenue		85,909	4,500
Net cash used in investing activities		( 3,776,526 )	( 4,279,163 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
	6(30)		
Proceeds from short-term bank loans		151,071	834,955
Payments on short-term bank loans		( 151,071 )	( 834,955 )
Payments on lease liabilities		( 78,575 )	( 42,128 )
Proceeds from long-term bank loans		4,429,593	-
Payments on long-term bank loans		( 5,756,450 )	( 756,450 )
Increase in guarantee deposits		575	3
Cash dividend paid	6(17)	( 1,309,032 )	( 872,718 )
Net cash used in financing activities		( 2,713,889 )	( 1,671,293 )
Net (decrease) increase in cash and cash equivalents		( 542,281 )	30,085
Cash and cash equivalents at beginning of year		4,619,365	4,589,280
Cash and cash equivalents at end of year		\$ 4,077,084	\$ 4,619,365

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

ChipMOS TECHNOLOGIES INC.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

(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 is 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 PARENT COMPANY ONLY FINANCIAL STATEMENTS**

The accompanying parent company only financial statements were authorized for issuance by the Board of Directors on March 16, 2021.

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standard Board (“IASB”)</u>
Amendments to International Accounting Standards (“IAS”) 1 and IAS 8, “Disclosure initiative – Definition of Material”	January 1, 2020
Amendments to IFRS 3, “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IFRS 16, “Covid-19-Related Rent Concessions”	June 1, 2020(Note)
Note : Earlier adoption from January 1, 2020 is allowed by FSC.	

B. Based on the Company’s assessment, the above standards and interpretation have no significant impact on the Company’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 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date issued by IASB</u>
Amendments to IFRS 4, “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, “Interest Rate Benchmark Reform – Phase 2”	January 1, 2021

B. Based on the Company's assessment, the above standards and interpretations have no significant impact on the Company'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 3, "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IAS 1, "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1, "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8, "Definition of Accounting Estimates"	January 1, 2023
Amendments to IFRS 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 Company's assessment, the above standards and interpretations have no significant impact on the Company's financial position and financial performance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Statement of compliance

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

(2) Basis of preparation

- A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
- (a) Financial assets 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 parent company only financial statements in conformity with IFRS, IAS, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment

or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars (NTD), which is the Company’s functional 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.

(4) 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.

(5) 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 three 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.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gains or losses in profit or loss.

D. The Company 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 Company and the amount of the dividend can be measured reliably.

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

A. Financial assets at fair value through other comprehensive income comprise equity instruments which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

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 Company measures the financial assets at fair value plus transaction costs. The Company 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 Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortized cost

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

- (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
- (b) The financial assets' contractual cash flows represent solely payments of principal and interest.

B. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

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

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

(10) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses 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 Company recognizes the impairment provision for lifetime expected credit losses.

(11) Derecognition of financial assets

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

(12) 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.

(13) Investments accounted for using equity method – subsidiaries and associates

A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity



and has the ability to affect those returns through its power over the entity.

- B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.
- 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 owner. 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. Associates are all entities over which the Company 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.
- F. The Company'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 Company's share of losses in an associate equals or exceeds its interests in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- G. 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 Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in "Capital surplus" in proportion to its ownership.
- H. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company'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 Company.
- I. In the case where an associate issues new shares and the Company does not subscribe or proportionately acquire the new shares, which results in a change in the Company'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 Company'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.
- J. When the Company 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.

- K. According to “Rules Governing the Preparation of Financial Statements by Securities Issuers”, profit for the year and other comprehensive income for the year reported in the parent company only financial statements, shall be equal to profit for the year and other comprehensive income attributable to owners of the parent reported in the consolidated financial statements, equity reported in the parent company only financial statements shall be equal to equity attributable to owners of parent reported in the consolidated financial statements.

**(14) Property, plant and equipment**

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each 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

**(15) 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 Company. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

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

- C. At the commencement date, the right-of-use asset is stated at 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.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment 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.

(17) 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.

(18) 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.

(19) Derecognition of financial liabilities

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

(20) Provisions for deficiency compensation

Provisions are recognized when the Company 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.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees 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 Company 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 Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company 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.

(22) Employee share-based payments

Restricted shares

- (a) Restricted shares issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.
- (b) For restricted shares where those shares do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Company recognizes the fair value of the dividends received by employees who are expected to resign during the vesting period as a compensation cost at the date the dividends were declared.
- (c) For restricted shares where employees do not need to pay to acquire those shares, if an employee resigns during the vesting period, the Company will recover and retire those shares at no cost.

(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 Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional income tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is 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 parent company only 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 Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is 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 Company 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 Company 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 Company considers:

- (a) Customer controls the provided raw materials and the Company receives the instruction from the customer on providing assembly and testing services and subsequent treatments.
- (b) The Company provides assembly and testing services to create or enhance an asset which solely provided and controlled by the customer. The Company 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 Company 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 Company 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 Company 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 Company 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 Company 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.

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

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

### Critical accounting estimates and assumptions-Revenue recognition

The Company recognizes revenue from services for assembly, LCDD and Bumping based on the progress towards completion of performance obligation during the service period. The Company 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, 2020</u>	<u>December 31, 2019</u>
Cash on hand and petty cash	\$ 470	\$ 470
Checking accounts and demand deposits	2,572,854	830,415
Time deposits	<u>1,503,760</u>	<u>3,788,480</u>
	<u>\$ 4,077,084</u>	<u>\$ 4,619,365</u>

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

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 46,512	\$ -
Valuation adjustment	<u>6,608</u>	<u>-</u>
	<u>\$ 53,120</u>	<u>\$ -</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>2020</u>	<u>2019</u>
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 18,077	\$ 1,750
Listed stocks	6,608	-
	<u>\$ 24,685</u>	<u>\$ 1,750</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, 2020</u>	<u>December 31, 2019</u>
Non-current:		
Restricted bank deposits	\$ 48,319	\$ 68,450

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

	<u>2020</u>	<u>2019</u>
Interest income	\$ 69	\$ 93

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 Company 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, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	\$ 5,365,776	\$ 4,454,255
Less: Loss allowance	( 1,620)	( 1,351)
	<u>\$ 5,364,156</u>	<u>\$ 4,452,904</u>

A. The Company'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, 2020</u>	<u>December 31, 2019</u>
Current	\$ 5,272,208	\$ 4,440,081
Within 1 month	93,568	13,733
1-2 months	<u>-</u>	<u>441</u>
	<u>\$ 5,365,776</u>	<u>\$ 4,454,255</u>

C. As of December 31, 2020 and 2019, accounts receivable were all from contracts with customers. And as of January 1, 2019, the balance of accounts receivable from contracts with customers was \$4,745,693.

D. Without taking into account of any collateral held or other credit enhancements, the amount that best reflects the Company'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 Company was pledged to others.

(5) Inventories

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

	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for impairment losses</u>	<u>Carrying amount</u>
Raw materials	\$ 1,831,140	(\$ 63,498)	\$ 1,767,642

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

	<u>2020</u>	<u>2019</u>
Cost of revenue	\$ 17,957,568	\$ 16,372,032
Loss on abandonment	5,323	12,369
Allowance for inventory valuation and obsolescence loss	<u>16,317</u>	<u>27,341</u>
	<u>\$ 17,979,208</u>	<u>\$ 16,411,742</u>

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

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Designation of equity instruments		
Foreign unlisted stocks	\$ 38,534	\$ 38,534
Valuation adjustment	<u>223,473</u>	<u>83,274</u>
	<u>\$ 262,007</u>	<u>\$ 121,808</u>

- A. Based on the Company'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, 2020 and 2019, 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>2020</u>	<u>2019</u>
Financial assets at fair value through other comprehensive income		
Foreign unlisted stocks	\$ <u>140,199</u>	(\$ <u>52,549</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>2020</u>	<u>2019</u>
January 1	\$ 3,660,575	\$ 4,133,873
Acquisition	15,113	-
Disposal	-	( 206,569)
Proceeds from capital reduction of investments accounted for using equity method	( 17,000)	-
Share of profit or loss	( 157,880)	( 151,587)
Earnings distribution	( 20,000)	( 20,000)
Elimination of intercompany transactions	-	3,324
Change in other equity interest - exchange differences from translation of foreign operations	28,352	( 104,198)
Share of other comprehensive income	<u>23,143</u>	<u>5,732</u>
December 31	<u>\$ 3,532,303</u>	<u>\$ 3,660,575</u>

Subsidiaries

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
ChipMOS TECHNOLOGIES (BVI) LTD. ("ChipMOS BVI")	\$ 3,054,763	\$ 3,175,040
ChipMOS U.S.A., Inc. ("ChipMOS USA")	<u>226,771</u>	<u>235,742</u>
	<u>\$ 3,281,534</u>	<u>\$ 3,410,782</u>

Associate

JMC ELECTRONICS CO., LTD. ("JMC")	<u>250,769</u>	<u>249,793</u>
	<u>\$ 3,532,303</u>	<u>\$ 3,660,575</u>

A. Subsidiaries

- (a) Information about the Company's subsidiaries is provided in Note 4(3) of the consolidated financial statements for the year ended December 31, 2020.
- (b) In April 2020, the Company participated in ChipMOS BVI's increase of paid-in capital based on its shareholding amounted to \$15,113.

B. Associate

- (a) The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the operating results are summarised below:

As of December 31, 2020 and 2019, the carrying amount of the Company's individually immaterial associates amounted to \$250,769 and \$249,793, respectively.

	<u>2020</u>	<u>2019</u>
Profit for the year from continuing operations	\$ 14,833	\$ 63,838
Other comprehensive income, net of income tax	<u>23,143</u>	<u>5,732</u>
Total comprehensive income	<u>\$ 37,976</u>	<u>\$ 69,570</u>

- (b) JMC has quoted market prices. As of December 31, 2020 and 2019, the fair value was \$454,010 and \$807,000, respectively.
- (c) To further strengthen financial structure, increase balance of working capital and reduce debt ratio, the Company's Board of Directors adopted a resolution on April 2, 2019 to dispose of 9,100,000 common shares of JMC, which reduced the shareholding of equity investment in JMC to 10%. The disposal of shares was completed on April 8, 2019 for cash consideration of \$1,180,179, and the Company recognized gain on disposal of investment in associates amounted to \$981,675. JMC is still recognized as investment accounted for using equity method given that the Company retains significant influence by holding two seats in JMC's Board of Directors.

(8) Property, plant and equipment

	2020						
	Land	Buildings	Machinery and equipment	Tools	Others	Construction in progress and equipment to be inspected	Total
<u>January 1</u>							
Cost	\$ 452,738	\$ 10,821,972	\$ 51,240,417	\$ 5,008,321	\$ 1,932,485	\$ 936,389	\$ 70,392,322
Accumulated depreciation and impairment	-	( 6,726,043)	( 40,077,531)	( 4,111,845)	( 1,497,954)	-	( 52,413,373)
	<u>\$ 452,738</u>	<u>\$ 4,095,929</u>	<u>\$ 11,162,886</u>	<u>\$ 896,476</u>	<u>\$ 434,531</u>	<u>\$ 936,389</u>	<u>\$ 17,978,949</u>
January 1	\$ 452,738	\$ 4,095,929	\$ 11,162,886	\$ 896,476	\$ 434,531	\$ 936,389	\$ 17,978,949
Additions	-	132,572	592,215	409,832	142,643	2,855,870	4,133,132
Disposals	-	-	( 8,915)	( 3,121)	( 7,298)	-	( 19,334)
Reclassifications	-	258,421	2,336,238	398,798	159,195	( 3,152,652)	-
Depreciation expenses	-	( 394,636)	( 2,734,529)	( 749,624)	( 219,832)	-	( 4,098,621)
December 31	<u>\$ 452,738</u>	<u>\$ 4,092,286</u>	<u>\$ 11,347,895</u>	<u>\$ 952,361</u>	<u>\$ 509,239</u>	<u>\$ 639,607</u>	<u>\$ 17,994,126</u>
<u>December 31</u>							
Cost	\$ 452,738	\$ 11,212,129	\$ 53,242,296	\$ 5,451,547	\$ 2,180,156	\$ 639,607	\$ 73,178,473
Accumulated depreciation and impairment	-	( 7,119,843)	( 41,894,401)	( 4,499,186)	( 1,670,917)	-	( 55,184,347)
	<u>\$ 452,738</u>	<u>\$ 4,092,286</u>	<u>\$ 11,347,895</u>	<u>\$ 952,361</u>	<u>\$ 509,239</u>	<u>\$ 639,607</u>	<u>\$ 17,994,126</u>

	2019						
	Land	Buildings	Machinery and equipment	Tools	Others	Construction in progress and equipment to be inspected	Total
<u>January 1</u>							
Cost	\$ 452,738	\$ 10,254,531	\$ 48,270,023	\$ 4,402,711	\$ 2,605,494	\$ 1,069,892	\$ 67,055,389
Accumulated depreciation and impairment	-	( 6,345,800)	( 38,038,341)	( 3,660,532)	( 2,192,103)	-	( 50,236,776)
	<u>\$ 452,738</u>	<u>\$ 3,908,731</u>	<u>\$ 10,231,682</u>	<u>\$ 742,179</u>	<u>\$ 413,391</u>	<u>\$ 1,069,892</u>	<u>\$ 16,818,613</u>
January 1	\$ 452,738	\$ 3,908,731	\$ 10,231,682	\$ 742,179	\$ 413,391	\$ 1,069,892	\$ 16,818,613
Effects on initial application of IFRS 16	-	-	-	-	( 31,904)	-	( 31,904)
Adjusted balance at January 1	452,738	3,908,731	10,231,682	742,179	381,487	1,069,892	16,786,709
Additions	-	116,238	2,334,311	781,465	224,287	1,440,308	4,896,609
Disposals	-	-	( 16,033)	( 9,336)	( 416)	-	( 25,785)
Reclassifications	-	455,792	1,111,715	7,880	25,042	( 1,573,811)	26,618
Depreciation expenses	-	( 384,832)	( 2,488,851)	( 625,712)	( 195,869)	-	( 3,695,264)
Impairment losses	-	-	( 9,938)	-	-	-	( 9,938)
December 31	<u>\$ 452,738</u>	<u>\$ 4,095,929</u>	<u>\$ 11,162,886</u>	<u>\$ 896,476</u>	<u>\$ 434,531</u>	<u>\$ 936,389</u>	<u>\$ 17,978,949</u>
<u>December 31</u>							
Cost	\$ 452,738	\$ 10,821,972	\$ 51,240,417	\$ 5,008,321	\$ 1,932,485	\$ 936,389	\$ 70,392,322
Accumulated depreciation and impairment	-	( 6,726,043)	( 40,077,531)	( 4,111,845)	( 1,497,954)	-	( 52,413,373)
	<u>\$ 452,738</u>	<u>\$ 4,095,929</u>	<u>\$ 11,162,886</u>	<u>\$ 896,476</u>	<u>\$ 434,531</u>	<u>\$ 936,389</u>	<u>\$ 17,978,949</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:

	2020	2019
Amount of interest capitalized	\$ 9,762	\$ 15,114
Range of interest rates for capitalization	1.4909%	1.7822%

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 Company leases various assets, including land, buildings, machinery and equipment, and others. Lease agreements are typically made for periods of 2 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, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 636,261	\$ 669,967
Buildings	7,642	9,879
Machinery and equipment	203,249	-
Others	515	2,058
	<u>\$ 847,667</u>	<u>\$ 681,904</u>
	<u>2020</u>	<u>2019</u>
	<u>Depreciation</u>	<u>Depreciation</u>
	<u>expenses</u>	<u>expenses</u>
Land	\$ 20,938	\$ 22,657
Buildings	2,237	1,305
Machinery and equipment	46,225	4,520
Others	1,544	1,809
	<u>\$ 70,944</u>	<u>\$ 30,291</u>

C. For the year ended December 31, 2020 and 2019, additions to right-of-use assets were \$249,475 and \$11,183, respectively.

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

	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 13,347	\$ 14,029
Expense on short-term lease contracts	202,782	230,385

E. For the year ended December 31, 2020 and 2019, the Company's total cash outflow for leases were \$268,374 and \$267,472, respectively.

(10) Accounts payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable	\$ 766,805	\$ 419,520
Estimated accounts payable	200,016	400,028
	<u>\$ 966,821</u>	<u>\$ 819,548</u>

(11) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payable to equipment suppliers	\$ 1,145,359	\$ 972,770
Employees' compensation payable	332,080	338,356
Salaries and bonuses payable	788,720	741,027
Pension payable	15,159	31,009
Directors' remuneration payable	16,604	16,918
Interest payable	1,958	889
Other expense payable	<u>949,094</u>	<u>876,067</u>
	<u>\$ 3,248,974</u>	<u>\$ 2,977,036</u>

(12) Long-term bank loans

<u>Type of loans</u>	<u>Period and payment term</u>	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
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.	\$ 3,310,000	\$ 9,066,000
Government granted bank loans	Borrowing period is from March 11, 2020 to February 15, 2030; interest is repayable monthly; principal is repayable monthly from March 15, 2023	4,505,000	-
Less: Fee on syndicated bank loan		( 17,223)	( 24,355)
Less: Unamortized interest on government granted bank loans		( 64,212)	-
Less: Current portion (fee included)		( 748,353)	( 748,419)
		<u>\$ 6,985,212</u>	<u>\$ 8,293,226</u>
Interest rate range		<u>0.65%~1.7895%</u>	<u>1.7895%</u>
Unused credit lines of long-term bank loans			
NT\$		<u>\$ 11,239,000</u>	<u>\$ 1,800,000</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 and March 2020 with the line of credit amounted to NT\$12.144 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 Company 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 related to the long-term bank loans that are pledged to others as collaterals is provided in Note 8.

(13) 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, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	(\$ 943,391)	(\$ 901,159)
Fair value of plan assets	<u>431,740</u>	<u>421,052</u>
Net defined benefit liability	( <u>\$ 511,651</u> )	( <u>\$ 480,107</u> )



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

	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 service 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)

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1	(\$ 910,081)	\$ 389,316	(\$ 520,765)
Current service cost	( 332)	-	( 332)
Interest (expense) income	( 11,170)	4,831	( 6,339)
	( 921,583)	394,147	( 527,436)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	12,601	12,601
Financial assumption movement effect	( 27,993)	-	( 27,993)
Experience adjustments	36,308	-	36,308
	8,315	12,601	20,916
Pension fund contribution	-	26,413	26,413
Paid pension	12,109	( 12,109)	-
December 31	(\$ 901,159)	\$ 421,052	(\$ 480,107)

(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, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	<u>2020</u>	<u>2019</u>
Discount rate	<u>0.50%</u>	<u>1.00%</u>
Future salary increase	<u>3.50%</u>	<u>3.50%</u>

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

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

	<u>Discount rate</u>		<u>Future salary increase</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
December 31, 2020				
Effect on present value of defined benefit obligations	(\$ <u>29,114</u> )	\$ <u>30,434</u>	\$ <u>29,471</u>	(\$ <u>28,365</u> )
December 31, 2019				
Effect on present value of defined benefit obligations	(\$ <u>27,993</u> )	\$ <u>29,284</u>	\$ <u>28,501</u>	(\$ <u>27,407</u> )

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

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

(e) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2021 amounts to \$26,261.

- (f) As of December 31, 2020, the weighted average duration of that retirement plan is 12.6 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	35,066
1-2 years		35,198
2-5 years		122,969
5-10 years		165,979
	<u>\$</u>	<u>359,212</u>

#### B. Define Contribution Plans

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, 2020 and 2019 were \$184,562 and \$187,502, respectively.

#### (14) Share-based payments

##### Restricted shares

- A. On July 14, 2015, the Company’s Board of Directors approved the issuance of restricted shares.

The record dates for the shares issuance was May 10, 2016. The relevant information is as follows:

Type of arrangement	Grant date	Share price on grant date (in dollars)	Number of shares (in thousands)	Contract period	Vesting condition
Restricted shares award agreement	May 10, 2016	30.6	1,548	3 years	Meet service and performance conditions

The restricted shares issued by the Company cannot be transferred during the vesting period, but voting right and dividend right are not restricted. Employees are required to return the shares but not required to return the dividends received if they resign during the vesting period. When the employees accomplish the years of service and performance conditions, the received restricted shares will be vested based on the vesting ratio.

- B. As of December 31, 2019, there were no outstanding restricted shares.

- C. The expense incurred on share-based payment transactions for the year ended December 31, 2019 was \$822.

#### (15) Capital stock

- A. As of December 31, 2020, 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, 2020, the outstanding ADSs were approximately 4,270,600 units representing 85,412 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. Movements in the number of the Company's ordinary shares outstanding are as follows:

	<u>Number of shares (in thousands)</u>	
	<u>2020</u>	<u>2019</u>
January 1	727,240	727,265
Restricted shares – cancelled	-	(25)
December 31	<u>727,240</u>	<u>727,240</u>

D. Treasury stock

(a) On March 7, 2019 and August 6, 2019, the Company's Board of Directors approved the cancellation of treasury stock 25,570 thousand shares amounted to \$962,503. As of December 31, 2019, all of the Company's treasury stocks were cancelled.

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares repurchased as treasury stock may not exceed 10% of the number of the Company's issued shares and the amount bought back may not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury stock may not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury stocks to enhance the Company's credit rating and the stockholders' equity should be retired within six months from acquisition.

(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.

	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>

	2019			
	Share premium	Employee restricted shares	Long-term investment	Total
January 1	\$ 5,873,743	\$ 382,506	\$ 24,233	\$ 6,280,482
Share-based payments	-	( 412)	-	( 412)
Cancellation of treasury stock	( 199,501)	( 12,853)	-	( 212,354)
Disposal of investment accounted for using equity method	-	-	( 8,065)	( 8,065)
December 31	<u>\$ 5,674,242</u>	<u>\$ 369,241</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 2019 and 2018 earnings were resolved in the shareholders' meetings held on June 9, 2020 and June 10, 2019, respectively. The appropriations and dividends per share are as follows:

	2019		2018	
	Amount	Cash distribution per share (in dollars)	Amount	Cash distribution per share (in dollars)
Legal reserve	\$ 258,416		\$ 110,308	
Special reserve	19,802		-	
Cash dividend	1,309,032	\$ 1.80	872,718	\$ 1.20

- F. The information relating to employees' compensation and directors' remuneration is provided in Note 6(26).

(18) Other equity interest

	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

	2019			
	Financial statements translation differences of foreign operations	Unrealized gain (loss) on valuation of financial assets at fair value through other comprehensive income	Unearned employee awards	Total
January 1	\$ 14,516	\$ 106,898	(\$ 1,701)	\$ 119,713
Currency translation differences				
- The Company	( 104,198)	-	-	( 104,198)
Employee restricted shares				
- The Company	-	-	1,701	1,701
Evaluation adjustment				
- The Company	-	( 52,549)	-	( 52,549)
- Associates	-	5,093	-	5,093
Evaluation adjustment related tax				
- The Company	-	10,510	-	10,510
Disposal of investment accounted for using equity method	-	( 72)	-	( 72)
December 31	<u>(\$ 89,682)</u>	<u>\$ 69,880</u>	<u>\$ -</u>	<u>(\$ 19,802)</u>

(19) Revenue

	2020	2019
Testing	\$ 5,002,730	\$ 4,257,800
Assembly	6,001,964	5,148,877
LCDD	7,023,003	6,922,205
Bumping	4,983,684	4,008,999
	<u>\$ 23,011,381</u>	<u>\$ 20,337,881</u>

A. The Company 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.

B. Contract assets and liabilities

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

	December 31, 2020	December 31, 2019	January 1, 2019
Contract assets	<u>\$ 389,016</u>	<u>\$ 377,869</u>	<u>\$ 299,835</u>
Contract liabilities			
(Advance payments)	<u>\$ -</u>	<u>\$ 1,231</u>	<u>\$ 1,432</u>

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

D. Revenue recognized for the years ended as of December 31, 2020 and 2019 amounted to \$565 and \$766, 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

	2020	2019
Gain on disposal of scrapped materials	\$ 51,077	\$ 43,652
Royalty income	2,962	12,336
Gain on disposal of items purchased on behalf of others	30,140	15,080
Gain on disposal of property, plant and equipment	48,094	20,271
Insurance compensation income	-	10,435
Impairment loss on property, plant and equipment	-	( 9,938)
Others	3,329	1,092
	<u>\$ 135,602</u>	<u>\$ 92,928</u>

(21) Interest income

	2020	2019
Bank deposits	\$ 25,223	\$ 59,374
Imputed interest from deposits	25	-
Financial assets at amortized cost	69	93
	<u>\$ 25,317</u>	<u>\$ 59,467</u>

(22) Other income

	2020	2019
Rental income	\$ 10,260	\$ 9,249
Dividend income	3,229	585
Grant income	7,668	925
	<u>\$ 21,157</u>	<u>\$ 10,759</u>



(23) Other gains and losses

	2020	2019
Foreign exchange losses, net	(\$ 354,570)	(\$ 154,264)
Gain on disposal of investment accounted using equity method	-	981,675
Reimbursement of ADSs service charge	2,101	4,292
Gain on valuation of financial assets at fair value through profit or loss	24,685	1,750
Others	5,969	970
	<u>(\$ 321,815)</u>	<u>\$ 834,423</u>

(24) Finance costs

	2020	2019
Interest expense		
Bank loans	\$ 158,720	\$ 171,840
Lease liabilities	13,347	14,029
Less: Amounts capitalized in qualifying assets	( 9,762)	( 15,114)
	162,305	170,755
Finance expense	9,082	9,187
	<u>\$ 171,387</u>	<u>\$ 179,942</u>

(25) Expenses by nature

	2020	2019
Raw materials and supplies used	\$ 4,708,493	\$ 3,575,283
Employee benefit expenses	5,987,734	6,058,578
Depreciation expenses	4,169,565	3,725,555
Others	4,704,470	4,616,223
	<u>\$ 19,570,262</u>	<u>\$ 17,975,639</u>

(26) Employee benefit expenses

	2020	2019
Salaries	\$ 4,919,025	\$ 5,101,085
Directors' remuneration	28,229	26,266
Labor and health insurance	396,796	418,616
Pension	189,489	194,173
Share-based payments	-	822
Other personnel expenses	454,195	317,616
	<u>\$ 5,987,734</u>	<u>\$ 6,058,578</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, 2020 and 2019, the employees' compensation were accrued at \$332,080 and \$338,356, respectively; the directors' remuneration were accrued at \$16,604 and \$16,918, respectively.

C. For the year of 2019, employees' compensation and directors' remuneration recognized were consistent with the amounts resolved in the Board of Directors' meetings.

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>2020</u>	<u>2019</u>
Current income tax:		
Current income tax on profits for the period	\$ 635,630	\$ 406,759
Income tax on unappropriated retained earnings	-	7,019
Prior year income tax overestimation	( 16,763)	( 5,016)
Total current income tax	<u>618,867</u>	<u>408,762</u>
Deferred income tax:		
Relating to origination and reversal of temporary differences	( 14,237)	35,367
Income tax expense	<u>\$ 604,630</u>	<u>\$ 444,129</u>

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

	<u>2020</u>	<u>2019</u>
Unrealized gain (loss) on valuation of financial assets at fair value through other comprehensive income	\$ 28,040	(\$ 10,510)
Remeasurement of defined benefit obligations	( 10,398)	4,183
	<u>\$ 17,642</u>	<u>(\$ 6,327)</u>

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

	<u>2020</u>	<u>2019</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 594,423	\$ 605,658
Effects from adjustments based on regulation	26,974	( 162,924)
Temporary difference not recognized as deferred tax assets	( 4)	( 608)
Prior year income tax overestimation	( 16,763)	( 5,016)
Income tax on unappropriated retained earnings	<u>-</u>	<u>7,019</u>
Income tax expense	<u>\$ 604,630</u>	<u>\$ 444,129</u>

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

	<u>2020</u>			
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
<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>

	2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<u>Deferred tax assets</u>				
Loss on inventories	\$ 7,232	\$ 5,468	\$ -	\$ 12,700
Property, plant and equipment	64,183	( 25,515)	-	38,668
Provisions	12,396	( 6,796)	-	5,600
Deferred revenue	34,156	( 6,506)	-	27,650
Net defined benefit liability	100,743	( 3,948)	( 4,183 )	92,612
Unrealized exchange losses	3,575	13,721	-	17,296
Investment tax credits	4,420	( 4,420)	-	-
Others	11	15	-	26
Total	<u>\$ 226,716</u>	<u>(\$ 27,981)</u>	<u>(\$ 4,183)</u>	<u>\$ 194,552</u>
<u>Deferred tax liabilities</u>				
Property, plant and equipment	(\$ 281,594)	(\$ 7,386)	\$ -	(\$ 288,980)
Financial assets at fair value through other comprehensive income	( 27,165)	-	10,510	( 16,655)
Total	<u>(\$ 308,759)</u>	<u>(\$ 7,386)</u>	<u>\$ 10,510</u>	<u>(\$ 305,635)</u>
Information presented on balance sheets:				
Deferred tax assets	<u>\$ 226,716</u>			<u>\$ 194,552</u>
Deferred tax liabilities				<u>(\$ 305,635)</u>

- D. The Company has not recognized taxable temporary differences associated with investments as deferred tax liabilities. As of December 31, 2020 and 2019, the amounts of temporary differences not recognized as deferred tax liabilities were \$45,005 and \$180,395, respectively.
- E. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.
- F. 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 year 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

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 common share of the Company	\$ 2,367,483	727,240	\$ 3.26
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation		9,668	
Profit attributable to common share of the Company	\$ 2,367,483	736,908	\$ 3.21
2019			
	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 common share of the Company	\$ 2,584,161	727,111	\$ 3.55
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation		9,879	
Restricted shares		126	
Profit attributable to common share of the Company	\$ 2,584,161	737,116	\$ 3.51

(29) Supplemental cash flow information

Partial cash paid for investing activities

Property, plant and equipment

	2020	2019
Purchase of property, plant and equipment	\$ 4,133,132	\$ 4,896,609
Add: Beginning balance of payable on equipment	972,770	1,516,735
Less: Ending balance of payable on equipment	(1,145,359)	(972,770)
Cash paid during the year	\$ 3,960,543	\$ 5,440,574

(30) Changes in liabilities from financing activities

	2020			
	Long-term bank loans (including current portion)	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
January 1	\$ 9,041,645	\$ 1,095	\$ 687,602	\$ 9,730,342
Changes in cash flow from financing activities	( 1,326,857)	575	( 78,575)	( 1,404,857)
Adjustment to right-of-use assets	-	-	236,707	236,707
Reclassification	-	20,000	-	20,000
Amortization of loan fees	7,581	-	-	7,581
Amortization of interest expenses	11,196	-	13,347	24,543
December 31	<u>\$ 7,733,565</u>	<u>\$ 21,670</u>	<u>\$ 859,081</u>	<u>\$ 8,614,316</u>
	2019			
	Long-term bank loans (including current portion)	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
January 1	\$ 9,789,518	\$ 1,092	\$ -	\$ 9,790,610
Effects on initial application of IFRS 16	-	-	873,213	873,213
Adjusted balance at January 1	9,789,518	1,092	873,213	10,663,823
Changes in cash flow from financing activities	( 756,450)	3	( 42,128)	( 798,575)
Adjustment to right-of-use assets	-	-	( 148,512)	( 148,512)
Reclassification to payable on equipment from lease liabilities	-	-	( 9,000)	( 9,000)
Amortization of loan fees	8,577	-	-	8,577
Amortization of interest expenses	-	-	14,029	14,029
December 31	<u>\$ 9,041,645</u>	<u>\$ 1,095</u>	<u>\$ 687,602</u>	<u>\$ 9,730,342</u>

## 7. RELATED PARTY TRANSACTIONS

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

Name	Relationship
ChipMOS BVI	Subsidiary
ChipMOS USA	Subsidiary
ChipMOS Semiconductors (Shanghai) Co., Ltd. ("ChipMOS Shanghai")	Sub-subsidiary
JMC	Associate
Unimos Microelectronics (Shanghai) Co., Ltd. ("Unimos Shanghai")	Associate

### (2) Significant related party transactions

#### A. Service expense

	2020	2019
ChipMOS USA	\$ 32,626	\$ 32,826
ChipMOS Shanghai	7,453	-
	<u>\$ 40,079</u>	<u>\$ 32,826</u>

#### B. Acquisition of financial assets

In April 2020, the Company participated in ChipMOS BVI's increase of paid-in capital amounted to \$15,113, please refer to Note 6(7).

### (3) Key management personnel compensation

	2020	2019
Salaries and other short-term employee benefits	\$ 180,464	\$ 172,490
Post-employment compensation	4,258	2,049
	<u>\$ 184,722</u>	<u>\$ 174,539</u>

## 8. PLEDGED ASSETS

Assets	Purpose	Carrying amount	
		December 31, 2020	December 31, 2019
Non-current financial assets at amortized cost	Lease and bank loan	\$ 48,319	\$ 68,450
Property, plant and equipment			
- Land	Bank loan	452,738	452,738
- Buildings	Bank loan	4,092,287	4,095,929
- Machinery and equipment	Bank loan	6,912,544	4,105,912
		<u>\$ 11,505,888</u>	<u>\$ 8,723,029</u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) A letter of guarantee was issued by the Bank of Taiwan to the Customs Administration of the Ministry of Finance for making payment of customs-duty deposits when importing. As of December 31, 2020 and 2019, the amounts guaranteed by the Bank of Taiwan were \$99,000 and \$100,800, respectively.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	\$ 2,331,041	\$ 1,640,712

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the liabilities to assets ratio. Total capital is shown as "Equity" in the parent company only balance sheet, which is also equal to total assets minus total liabilities.

The liabilities to assets ratio at December 31, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 14,240,568	\$ 14,651,080
Total assets	<u>35,072,320</u>	<u>34,302,319</u>
Liabilities to assets ratio	<u>40.60%</u>	<u>42.71%</u>



## (2) Financial instruments

### A. Financial instruments by category

	December 31, 2020	December 31, 2019
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 53,120	\$ -
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	262,007	121,808
Financial assets at amortized cost		
Cash and cash equivalents	4,077,084	4,619,365
Financial assets at amortized cost	48,319	68,450
Notes receivable	599	765
Accounts receivable	5,364,156	4,452,904
Accounts receivable—related parties	-	1,045
Other receivables	49,961	89,652
Other receivables—related parties	-	2,948
Refundable deposits	20,420	20,322
	<u>\$ 9,875,666</u>	<u>\$ 9,377,259</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Notes payable	\$ 2,899	\$ -
Accounts payable	966,821	819,548
Other payables	3,248,974	2,977,036
Other payables—related parties	3,358	2,628
Long-term bank loans (including current portion)	7,733,565	9,041,645
Guarantee deposits	21,670	1,095
	<u>\$ 11,977,287</u>	<u>\$ 12,841,952</u>
Lease liabilities (including current portion)	<u>\$ 859,081</u>	<u>\$ 687,602</u>

### B. Risk management policies

- (a) The Company's risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies, measures, and manages such risks by its policies and preferences.
- (b) The Company 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 Company complies with its financial risk management policies at all times.
- (c) In order to minimize and manage financial risks, the Company's overall risk management program focuses on analyzing, identifying, and evaluating financial risk factors that may potentially have adverse effects on the Company's financial position, and provide feasible

solutions to avoid those factors.

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

#### (a) Market risk

The Company'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 Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.
- ii. The Company 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 Company.
- iii. The Company'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 Company'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, 2020			
	<u>Foreign currency</u> <u>(in thousands)</u>	<u>Exchange rate</u>	<u>Carrying amount</u> <u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 167,857	28.4800	\$ 4,780,567
JPY:NTD	137,635	0.2763	38,029
RMB:NTD	2,399	4.3770	10,500
<u>Non-monetary items</u>			
USD:NTD	7,962	28.4800	226,771
JPY:NTD	948,270	0.2763	262,007
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 26,490	28.4800	\$ 754,435
JPY:NTD	1,538,241	0.2763	425,016

December 31, 2019			
	Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 180,348	29.9800	\$ 5,406,833
JPY:NTD	266,819	0.2760	73,642
RMB:NTD	2,937	4.3050	12,644
<u>Non-monetary items</u>			
USD:NTD	7,863	29.9800	235,742
JPY:NTD	441,334	0.2760	121,808
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 7,925	29.9800	\$ 237,592
JPY:NTD	1,033,394	0.2760	285,217

- v. The total exchange losses, including realized and unrealized losses arising from significant foreign exchange variations on monetary items held by the Company for the years ended December 31, 2020 and 2019, amounted to \$354,570 and \$154,264, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variations:

2020			
<u>Sensitivity analysis</u>			
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	5%	\$ 239,028	\$ -
JPY:NTD	5%	1,901	-
RMB:NTD	5%	525	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	5%	\$ 37,722	\$ -
JPY:NTD	5%	21,251	-

	2019		
	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%	\$ 270,342	\$ -
JPY:NTD	5%	3,682	-
RMB:NTD	5%	632	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	5%	\$ 11,880	\$ -
JPY:NTD	5%	14,261	-

Price risk

- i. The Company'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 Company diversifies its portfolio. Diversification of the portfolio is in accordance with the limits set by the Company.
- ii. The Company 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, 2020 and 2019, 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 Company's profit before income tax by \$531 and \$0, respectively.
- iii. The Company's investments in financial instruments comprise foreign unlisted stocks. 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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's bank loans with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate bank loans. The Company 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 Company 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, 2020 and 2019, 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 Company's profit before income tax approximately by \$78,150 and \$90,660, respectively, mainly due to the Company'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 bank and financial instruments). The Company is exposed to credit risk arising from the carrying amount of the financial assets recognized in the parent company only balance sheet.
- ii. Each business unit performs ongoing credit evaluations of its debtors' financial conditions according to the Company's established policies, procedures and controls relating to customer credit risk management. The Company 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 Company's exposure to bad debts.
- iii. Credit risk from balances with banks and financial institutions is managed by the Company's finance unit in accordance with the Company's policies. Transaction counterparty of the Company 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 Company 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 Company 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 Company 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, 2020 and 2019, the loss rate methodologies are as follows:

	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	\$ 49,971
Loss allowance	( \$ 117 )	( \$ 1,620 )	( \$ 10 )

	December 31, 2019		
	Contract assets	Accounts receivable (including related parties)	Other receivables (including related parties)
Expected loss rate	0.030%	0.030%	0.030%
Total carrying amount	\$ 377,983	\$ 4,455,300	\$ 92,618
Loss allowance	( \$ 114 )	( \$ 1,351 )	( \$ 18 )

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

	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 )

	2019		
	Contract assets	Accounts receivable (including related parties)	Other receivables (including related parties)
January 1	( \$ 135 )	( \$ 2,141 )	( \$ 13 )
Provision for impairment loss	-	-	( 5 )
Reversal of impairment loss	21	790	-
December 31	( \$ 114 )	( \$ 1,351 )	( \$ 18 )

viii. The Company'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 Company manages and maintains adequate cash and cash equivalents to finance the Company's operations, and minimize the impact from cash flow fluctuations. The Company 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 Company is from bank loans. See Note 6(12) for

details of the unused credit lines of the Company as of December 31, 2020 and 2019.

- iii. The contractual undiscounted cash flows of accounts payable and other payables (including related parties) due within one year and is equivalent to their carrying amounts. Except for the aforementioned, the table below summarizes the maturity profile of the Company's non-derivative financial liabilities based on the earliest repayment dates and contractual undiscounted payments, including principal and interest. The Company does not consider the probability of early repayments requested by the banks.

	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	139,926	154,311	54,689	718,752	1,067,678
Guarantee deposits	-	-	-	21,670	21,670
	<u>\$ 986,327</u>	<u>\$ 3,712,908</u>	<u>\$ 2,253,406</u>	<u>\$ 2,228,230</u>	<u>\$ 9,180,871</u>
	December 31, 2019				
	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	\$ 914,159	\$ 1,786,842	\$ 6,848,327	\$ -	9,549,328
Lease liabilities	31,370	60,111	57,836	762,699	912,016
Guarantee deposits	-	-	-	1,095	1,095
	<u>\$ 945,529</u>	<u>\$ 1,846,953</u>	<u>\$ 6,906,163</u>	<u>\$ 763,794</u>	<u>\$ 10,462,439</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 Company'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 (including related parties), other receivables (including related parties), refundable deposits, long-term bank loans, contract liabilities, notes payable, accounts payable, other payables (including related parties), 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 on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

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

	<u>December 31, 2020</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	\$ 53,120	\$ -	\$ -	\$ 53,120
Financial assets at fair value through other comprehensive income				
- Foreign unlisted stocks	<u>-</u>	<u>-</u>	<u>262,007</u>	<u>262,007</u>
	<u>\$ 53,120</u>	<u>\$ -</u>	<u>\$ 262,007</u>	<u>\$ 315,127</u>

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

- i. The fair value of the Company'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 Company'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 balance sheet date.
- iii. The Company's financial instruments issued by foreign companies are measured by the comparable company valuation (EV/EBITDA ratio and P/B ratio).
- iv. The Company 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 Company's credit quality.



D. The following table shows the movements of Level 3 for the years ended December 31, 2020 and 2019:

	Equity instruments	
	2020	2019
January 1	\$ 121,808	\$ 174,357
Gains or losses recognized in other comprehensive income		
Recorded as unrealized gains (losses) on valuation of financial assets at fair value through other comprehensive income	140,199	(52,549)
December 31	<u>\$ 262,007</u>	<u>\$ 121,808</u>

E. The Company 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, 2020	Valuation technique	Significant unobservable input	Range (weighted average method)	Relationship of inputs to 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

	Fair value as of December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average method)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Foreign unlisted stocks	\$ 121,808	Comparable companies	Price to book ratio multiple	1.22	The higher the multiple, the higher the fair value
			Enterprise value to EBITDA multiple	10.51	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 Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorized within Level 3 if the inputs used to valuation models have changed:

			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 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>
			December 31, 2019			
			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%	\$ -	\$ -	\$ 53	\$ 53
	Enterprise value to EBITDA multiple	± 1%	-	-	850	900
	Discount for lack of marketability	± 1%	-	-	1,460	1,460
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,363</u>	<u>\$ 2,413</u>

### 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, 2020			
				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	\$ 53,120	0.12	\$ 53,120
The Company	RYOWA CO., LTD.	N/A	Financial assets at fair value through other comprehensive income	420	259,039	18.12	259,039
The Company	CONNECTEC JAPAN Corporation	N/A	Financial assets at fair value through other comprehensive income	56,497	2,968	2.74	2,968
ChipMOS BVI	Shanghai Zuzhu Business Consulting Partnership (Limited Partnership) ("Zuzhu")	N/A	Financial assets at fair value through profit or loss	-	4,472	Note	4,472
ChipMOS BVI	Shanghai Zuzhan Business Consulting Partnership (Limited Partnership) ("Zuzhan")	N/A	Financial assets at fair value through profit or loss	-	2,150	Note	2,150
ChipMOS BVI	Shanghai Zuchen Business Consulting Partnership (Limited Partnership) ("Zuchen")	N/A	Financial assets at fair value through profit or loss	-	1,867	Note	1,867
ChipMOS BVI	Shanghai Guizao Business Consulting Partnership (Limited Partnership) ("Guizao")	N/A	Financial assets at fair value through profit or loss	-	1,879	Note	1,879

Note: As of December 31, 2020, Zuzhu, Zuzhan, Zuchen, and Guizao have entered into the liquidation process.

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, 2020		Acquisition		Disposal		Balance as of December 31, 2020	
					Number of shares/units (in thousands)	Amount	Number of shares/units (in thousands)	Amount	Selling price	Book value	Gain on disposal	Number of shares/units (in thousands)
The Company	Taishin 1699 Money Market Fund	Note	N/A	N/A	-	\$ -	62,469	\$ 850,000	\$ 850,652	\$ 850,000	\$ 652	- \$ -
The Company	FSITC Taiwan Money Market Fund	Note	N/A	N/A	-	-	45,486	700,000	700,417	700,000	417	-
The Company	Union Money Market Fund	Note	N/A	N/A	-	-	60,209	800,000	800,327	800,000	327	-
The Company	UPAMC James Bond Money Market Fund	Note	N/A	N/A	-	-	38,624	650,000	650,058	650,000	58	-
The Company	Cathay Taiwan Money Market Fund	Note	N/A	N/A	-	-	47,926	600,000	600,093	600,000	93	-
The Company	Taishin Ta-Chong Money Market Fund	Note	N/A	N/A	-	-	45,424	650,000	650,108	650,000	108	-
The Company	Prudential Financial Money Market Fund	Note	N/A	N/A	-	-	21,963	350,000	350,172	350,000	172	-

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	Transaction		Percentage of consolidated total revenues or total assets (%)
				General ledger account	Amount	
0	The Company	ChipMOS USA	Note	Service expense	\$ 32,626	0.14%
0	The Company	ChipMOS Shanghai	Note	Service expense	7,453	0.03%

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, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized for the year ended December 31, 2020	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	\$ 226,771	\$ 2,929	\$ 2,929	
The Company	JMC	Kaohsiung, Taiwan	Manufacturing, processing and trading of high-end flexible IC substrates for display driver ICs	148,007	165,007		8,300,000	10	250,769	148,328	14,833	Note
The Company	ChipMOS BVI	British Virgin Islands	Holding company	3,087,825	3,072,712	2,413,992,975		100	3,054,763	( 175,642 )	( 175,642 )	

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 P.R.C. as of January 1, 2020	Amount remitted from P.R.C./ Amount remitted back to Taiwan for the year ended December 31, 2020	Accumulated amount of remittance from Taiwan to P.R.C. as of December 31, 2020	Net (loss) income of investee for the year ended December 31, 2020	Ownership (%) held by the Company (directly or indirectly)	Investment loss recognized for the year ended December 31, 2020	Carrying amount of investments in P.R.C. as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan through December 31, 2020	Note
Unimos Shanghai	Semiconductor assembling and testing services	\$ 10,817,191	Note 1	\$ 2,885,586	\$ -	\$ -	\$ 246,220	45.02	(\$ 162,162)	\$ 3,020,908	\$ -	Note 2
ChipMOS Shanghai	Marketing of semiconductors and electronic related products	15,113	Note 1	-	15,113	15,113	( 536)	100.00	( 536)	14,877	-	Note 2
Zuzhu	Business consulting services	7,944	Note 1	-	-	-	10,844	Note 3	-	4,472	-	
Zuzhan	Business consulting services	2,324	Note 1	-	-	-	1,808	Note 3	-	2,150	-	
Zuchen	Business consulting services	2,210	Note 1	-	-	-	1,972	Note 3	-	1,867	-	
Guizao	Business consulting services	2,172	Note 1	-	-	-	1,871	Note 3	-	1,879	-	

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.

Note 3: As of December 31, 2020, Zuzhu, Zuzhan, Zuchen, and Guizao have entered into the liquidation process.

Company name	Accumulated amount of remittance from Taiwan to P.R.C. as of December 31, 2020	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	\$ 12,499,051

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

(4) Major shareholders information

Major shareholder name	Number of shares	Ownership (%)	Notes
First Bank in Its Capacity as Master Custodian for Custodial Account of ChipMOS' ADSs	85,412,014	11.74%	Notes 1, 2
Siliconware Precision Industries Co., Ltd.	78,910,390	10.85%	Note 1
Yann Yuan Investment Co., Ltd.	68,050,000	9.35%	Note 1

Note 1: This table is calculated by Taiwan Depository & Clearing Corporation, using total number of ordinary shares and preferred shares held by the shareholders who have completed the company's non-physical registration and delivery (including treasury shares) is more than 5% on the last business day at the end of each quarter. As for the share capital recorded in the company's consolidated financial report and the number of shares which the company has completed the non-physical registration and delivery, may be different from computational basis.

Note 2: Above information if belongs to shareholders delivering the shares to the trust, will be disclosed by the principal individual account of the trustee opened the trust account. As for shareholders who handle the declaration of insider equity holding more than 10% of their shares in accordance with the Securities and Exchange Act, their shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, etc. Please refer to the information on the MOPS for insider equity declaration.

ChipMOS TECHNOLOGIES INC.  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand and petty cash		\$ 470
Bank savings:		
Checking accounts		3,938
Demand deposits		1,681,071
Demand deposits – foreign currencies	USD 29,470 thousand, exchange rate 28.4800	887,845
	JPY 137,627 thousand, exchange rate 0.2763	
	RMB 2,399 thousand, exchange rate 4.3770	
Time deposits	Interest rates: 0.08%~0.43%	<u>1,503,760</u>
		<u>\$ 4,077,084</u>



ChipMOS TECHNOLOGIES INC.  
STATEMENT OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

<u>Name of the clients</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
Company A		\$ 913,210	
Company B		680,676	
Company M		612,174	
Group C		537,979	
Company G		496,348	
Company K		396,651	
Group I		297,085	
Others		<u>1,431,653</u>	Note
		5,365,776	
Less: Loss allowance		( <u>1,620</u> )	
		<u>\$ 5,364,156</u>	

Note: None of the individual customer's owing balance exceed 5% of the ending balance of this account.

ChipMOS TECHNOLOGIES INC.  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	Net realizable value	
Raw material		\$ 2,181,890	\$ 2,235,033	
Less: Allowance for impairment losses		( 79,815)		
Inventories, net		\$ 2,102,075		

**ChipMOS TECHNOLOGIES INC.**  
**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**  
**YEAR ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars)

Name	Balance as of January 1, 2020		Increases (Note 1)		Decreases (Note 2)		Other adjustments (Note 3)		Balance as of December 31, 2020		Market price or equity		Collateral or pledge	Note
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Percentage of ownership	Unit Price	Total price		
JMC	10,000	\$ 249,793	-	\$ 14,833	( 1,700)	\$ ( 37,000)	-	\$ 23,143	8,300	10%	\$ 54.70	\$ 454,010	None	
ChipMOS BVI	2,407,743	3,175,040	6,250	15,113	-	( 175,642)	-	40,252	2,413,993	100%	3,054,763	3,054,763	None	
ChipMOS USA	3,550	235,742	-	2,929	-	-	-	( 11,900)	3,550	100%	63.88	226,771	None	
		<u>\$ 3,660,575</u>		<u>\$ 32,875</u>		<u>\$ ( 212,642)</u>		<u>\$ 51,495</u>				<u>\$ 3,532,303</u>		

Note 1: Includes increase in share of profit of subsidiaries and associates of \$17,762 and ChipMOS BVI's increase of paid-in capital of \$15,113.

Note 2: Includes decrease in share of loss of subsidiaries and associates of \$175,642, cash dividend paid by JMC of \$20,000, and proceeds from capital reduction of JMC of \$17,000.

Note 3: Includes unrealized gains on financial assets at fair value through other comprehensive income of \$23,115, adjustments of exchange differences from translation of foreign operations of \$28,352, and recognition of remeasurements of defined benefit plans of \$28.

ChipMOS TECHNOLOGIES INC.  
**STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT**  
**YEAR ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars)

Item	Balance as of January 1, 2020	Additions	Disposals	Reclassifications	Balance as of December 31, 2020	Collateral
<u>Cost</u>						
Land	\$ 452,738	\$ -	\$ -	\$ -	452,738	See Note 8
Buildings	10,821,972	132,572	( 836)	258,421	11,212,129	See Note 8
Machinery and equipment	51,240,417	592,215	( 926,574)	2,336,238	53,242,296	See Note 8
Tools	5,008,321	409,832	( 365,404)	398,798	5,451,547	None
Others	1,932,485	142,643	( 54,167)	159,195	2,180,156	None
Construction in progress and equipment to be inspected	936,389	2,855,870	-	( 3,152,652)	639,607	None
	<u>70,392,322</u>	<u>4,133,132</u>	<u>( \$ 1,346,981)</u>	<u>\$ -</u>	<u>73,178,473</u>	
<u>Accumulated depreciation</u>						
Buildings	( 6,726,043)	394,636	\$ 836	\$ -	7,119,843	
Machinery and equipment	( 39,884,191)	2,734,529	906,321	-	41,712,399	
Tools	( 4,111,845)	749,624	362,283	-	4,499,186	
Others	( 1,497,954)	219,832	46,869	-	1,670,917	
	<u>( 52,220,033)</u>	<u>4,098,621</u>	<u>\$ 1,316,309</u>	<u>\$ -</u>	<u>55,002,345</u>	
<u>Accumulated impairment</u>						
Machinery and equipment	( 193,340)	-	11,338	-	182,002	
Others	-	-	-	-	-	
	<u>( 193,340)</u>	<u>-</u>	<u>11,338</u>	<u>\$ -</u>	<u>182,002</u>	
Carrying amount	<u>\$ 17,978,949</u>				<u>\$ 17,994,126</u>	

ChipMOS TECHNOLOGIES INC.  
LONG-TERM BANK LOANS  
DECEMBER 31, 2020

Creditor	Description	Amount	Period	(In Thousands of New Taiwan Dollars)		
				Range of interest rate	Collateral	Note
Taiwan Cooperative Bank and others	Syndicated bank loans	\$ 3,310,000	May 30, 2018 ~ May 30, 2023	1.7895%	See Note 8	
	Less: Fee on syndicated bank loan	( 17,223)				
	Current portion (fee included)	( 748,353)				
		<u>\$ 2,544,424</u>				
Bank of Taiwan	Government granted bank loans	2,882,000	March 11, 2020 ~ February 15, 2030	0.7000 % ~ 0.9000 %	See Note 8	
Taiwan Cooperative Bank	Government granted bank loans	1,231,000	March 11, 2020 ~ February 15, 2027	0.9000 %	See Note 8	
Chang Hwa Commercial Bank	Government granted bank loans	50,000	March 11, 2020 ~ February 15, 2027	0.9000 %	See Note 8	
Taishin International Bank	Government granted bank loans	342,000	April 27, 2020 ~ April 15, 2027	0.6500 %	See Note 8	
	Less: Unamortized interest on government granted bank loans	( 64,212)				
		<u>\$ 4,440,788</u>				
		<u>\$ 6,985,212</u>				

ChipMOS TECHNOLOGIES INC.  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Quantity (in thousand piece/wafers)	Amount	Note
Testing	3,019,638	\$ 5,002,730	
Assembly	2,984,433	6,001,964	
LCDD	2,150,002	7,023,003	
Bumping	1,553	4,983,684	
Net revenue		<u>\$ 23,011,381</u>	

ChipMOS TECHNOLOGIES INC.  
STATEMENT OF COST OF REVENUE  
YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount
Raw material at January 1, 2020	\$ 1,831,140
Raw material purchased	6,573,987
Less: Raw material at December 31, 2020	( 2,181,890 )
Raw material sold	( 16,148 )
Transfer to research and development expenses	( 18,397 )
Transfer to operating expenses	( 1,474,598 )
Scrap of raw material	( 5,601 )
Consumption of raw material for the year	<u>4,708,493</u>
Direct labor	2,644,099
Manufacturing expenses	<u>10,582,452</u>
Manufacturing costs of the year	17,935,044
Deficiency compensation	6,376
Raw material sold	16,148
Scrap of raw material	5,323
Impairment losses on inventories	<u>16,317</u>
Total cost of revenue	<u>\$ 17,979,208</u>

ChipMOS TECHNOLOGIES INC.  
STATEMENT OF OPERATING EXPENSES  
YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
<u>Sales and marketing expenses</u>		
Salaries and wages	\$ 36,029	
Services fees	40,079	
Others	20,527	None of the individual item exceeds 5% of this account
	<u>\$ 96,635</u>	
<u>General and administrative expenses</u>		
Salaries and wages	\$ 261,764	
Professional service expenses	47,685	
Insurance fees	25,622	
Others	143,836	None of the individual item exceeds 5% of this account
	<u>\$ 478,907</u>	
<u>Research and development expenses</u>		
Salaries and wages	\$ 728,906	
Insurance fees	58,893	
Others	227,713	None of the individual item exceeds 5% of this account
	<u>\$ 1,015,512</u>	



ChipMOS TECHNOLOGIES INC.  
LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION  
YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

		2020			2019		
By nature	By function	Classified as costs of revenue	Classified as operating expenses	Total	Classified as costs of revenue	Classified as operating expenses	Total
Employee benefit expense		\$ 4,771,725	\$ 1,216,009	\$ 5,987,734	\$ 4,852,592	\$ 1,205,986	\$ 6,058,578
Salaries		3,892,326	1,026,699	4,919,025	4,060,898	1,040,187	5,101,085
Directors' remuneration		-	28,229	28,229	-	26,266	26,266
Labor and health insurance		325,049	71,747	396,796	343,030	75,586	418,616
Pension		147,270	42,219	189,489	151,895	42,278	194,173
Share-based payments		-	-	-	714	108	822
Other personnel expenses		407,080	47,115	454,195	296,055	21,561	317,616
Depreciation		\$ 4,121,611	\$ 47,954	\$ 4,169,565	\$ 3,679,861	\$ 45,694	\$ 3,725,555

Note 1. For the years ended December 31, 2020 and 2019, the Company had 5,511 and 5,828 employees on average, including 8 and 7 non-employee directors, respectively.

Note 2. (1) The average employee benefit expenses for the years ended December, 31, 2020 and 2019 were \$1,083 and \$1,036, respectively.

(2) The average salaries for the years ended December 31, 2020 and 2019 were \$894 and \$876, respectively.

(3) The difference of average salaries for 2020 compared with 2019 was 2.05%.

(4) The supervisors' remuneration for the years ended December 31, 2020 and 2019 were both \$0, due to the establishment of the audit committee.

ChipMOS TECHNOLOGIES INC.  
LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION(CONT.)  
YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

- (5) The Company's policies on compensation and remuneration (including directors, supervisors, managers and employees).

The Company's policies on compensation and remuneration regarding directors, managers and employees are as follows:

Directors and Independent Directors

The Company has performance evaluation policies for the Board of Directors that evaluates the performance of the Board of Directors and each functional committee periodically. By the Company's Articles of Incorporation, Directors' remuneration is authorized by the Board of Directors, and based on the degree of participation in the Company's operation and contribution, as well as comparing with industry. If the Company generates profit for the year, the Board of Directors should allocate no more than 0.5% of it as Directors' remuneration based on its approval.

Managers and Employees

The compensation of the Company's managers compares with the industry standards periodically. Also, it is evaluated based on individual and overall Company's operating performance, strengthening the connection between managers' compensation, the Company's performance and shareholders' equity. Managers' compensation is proposed by Compensation Committee and approved by the Board of Directors.

The Company adopts a job hierarchy system and formulates compensation based on positions, education, experiences, seniority and individual performance. To ensure compensation policies are competitive, the Company compares with the industry standards periodically as well as formulates annual salary adjustment and bonus plan, creating incentives not only to maintain and motivate employees but also attract potential talent.

According to the Company's Articles of Incorporation, if the Company generates profit for the year, it should allocate 10% of it as employee compensation for managers and employees.

VI. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation.:  
None.

## VII. Review of Financial Status, Financial Performance and Risk Management

### I. Analysis of Financial Status (consolidated financial statements)

Unit: NT\$ thousands ; %

Item \ Year	2020	2019	Difference	
			Amount	%
Current assets	12,356,103	11,762,346	593,757	5.05
Property, plant and equipment	17,994,686	17,979,444	15,242	0.08
Other assets	4,730,025	4,564,097	165,928	3.64
Total assets	35,080,814	34,305,887	774,927	2.26
Current liabilities	5,619,966	4,901,701	718,265	14.65
Non-current liabilities	8,629,096	9,752,947	(1,123,851)	(11.52)
Total liabilities	14,249,062	14,654,648	(405,586)	(2.77)
Capital stock	7,272,401	7,272,401	—	—
Capital surplus	6,059,651	6,059,651	—	—
Retained earnings	7,356,066	6,338,989	1,017,077	16.04
Other equity interest	143,634	(19,802)	163,436	(825.35)
Equity attributable to equity holders of the Company	20,831,752	19,651,239	1,180,513	6.01
Analysis of deviation over 20%:				
Other equity interest increase was mainly due to the increase of unrealized gain on valuation of finance assets at fair value through other comprehensive income and the decrease of currency exchange loss arising from translation of foreign operations in 2020.				

## II. Analysis of Financial Performance (consolidated financial statements)

### (I) Operating Results Comparative Analysis

Unit: NT\$ thousands ; %

Item \ Year	2020	2019	Difference	
			Amount	%
Revenue	23,011,381	20,337,881	2,673,500	13.15
Cost of revenue	(17,979,208)	(16,411,742)	(1,567,466)	9.55
Gross profit	5,032,173	3,926,139	1,106,034	28.17
Operating expenses	(1,601,249)	(1,561,948)	(39,301)	2.52
Other income (expenses), net	135,578	92,928	42,650	45.90
Operating profit	3,566,502	2,457,119	1,109,383	45.15
Non-operating income (expenses)	(593,143)	573,200	(1,166,343)	(203.48)
Profit before income tax	2,973,359	3,030,319	(56,960)	(1.88)
Income tax expense	(605,876)	(446,158)	(159,718)	35.80
Profit for the year	2,367,483	2,584,161	(216,678)	(8.38)
Other comprehensive income (loss), net of income tax	122,062	(123,772)	245,834	(198.62)
Total comprehensive income for the year	2,489,545	2,460,389	29,156	1.19
Analysis of deviation over 20%:				
1. Gross Profit and operating profit increase were mainly due to the increase of revenue in 2020.				
2. Other income (expenses), net increase was mainly due to the increase of gain on disposal of items purchased on behalf of others and gain on disposal of property, plant and equipment in 2020.				
3. Non-operating expenses, net increase was mainly due to the decrease of gain on disposal of investment accounted for using equity method and the increase of foreign exchange loss.				
4. Income tax expense increase was mainly due to the net profit before tax for 2019, after deducted from the gain on disposal of accounted for using method, the profit before tax is lower than 2020.				
5. Other comprehensive income, net of income tax increase was mainly due to the increase of unrealized gain on valuation of finance assets at fair value through other comprehensive income and currency exchange gain arising from translation of foreign operations in 2020.				

(II) Sales Volume Forecast and Effect of Changes on the Company's Future Business and Future Response Actions : Please refer to "I. Letter to Shareholders".

## III. Analysis of Cash Flow

### (I) Cash Flow Analysis for the Current Year

Item	2020	2019	Increase (decrease) ratio
Cash flow ratio (%)	105.70%	122.26%	(13.54%)
Cash flow adequacy ratio (%)	87.01%	85.76%	1.46%
Cash reinvestment ratio (%)	5.48%	6.27%	(12.60%)
Analysis and explanation for changes exceeding 20%:			
No material change over 20% in the most recent 2 years.			

(II) Remedial Plan for Liquidity Shortage: None

(III) Company's Cash Liquidity Analysis for the Coming Year

Unit: NT\$ thousands

Opening cash balance	Net cash flow provided by operating activities	Annual cash outflow	Cash balance amount	Remedial actions for cash deficit	
				Investment plan	Financial plan
4,113,651	7,328,087	7,129,853	4,311,885	—	—
1. Analysis on the cash flow changes for the coming year : (1) Operating activities \$7,328,087: Mainly due to operating profit estimated. (2) Investing activities (\$5,156,719): Mainly due to the acquisition of operating equipment. (3) Financing activities (\$1,973,134): Mainly due to the proceeds from bank loans and payment of cash dividend. 2. Remedial action for cash deficit and liquidity analysis: Not applicable.					

IV. The effect upon financial operations of any major capital expenditures during the most recent fiscal year. (consolidated financial statements)

Major Capital Expenditure Items and Source of Capital

Unit:NT\$ thousands

Project	Actual or expected source of funds	Total actual funding need	Actual or expected status of use	
			2020	2021
Plant and equipment	Own funds or bank loan	9,789,390	4,133,615	5,655,775

V. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

The Company and its subsidiaries' investments in the most recent year, accounted for using equity method, were all made for long-term strategic purposes and to enhance our international market competitiveness. Each investment was made with prudent evaluation. The Company and its subsidiaries recognized its share of loss of investments accounted for using equity method amount to NT\$147,329 thousand for the year of 2020 which decreased NT\$7,597 thousand from the last year. The loss from the investments mainly due to part of them are still under the initial stage of development and expansion but the capacity utilization has gradually increased. The Company and its subsidiaries will continue to give guidance in accelerating investees to reach the profit goal.

VI. Analysis of Risk Management as in Most Recent Year and Up to the Date of Publication Date of the Annual Report

I. Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

(I) Variations of Interest rate

The borrowings of the Company and its subsidiaries are mainly generated for the purposes of operating activities. However, as the Company acquired better rates at the time of such borrowings, and thus rate changes are not expected to produce much impact on the Company's operations. The Company will keep an eye on the interest rate fluctuation, maintain good rapport with correspondent banks, and assess loan interest rate and average market interest rate periodically to lower the impact of interest rate changes on the Company's profit.

(II) Variations of foreign currency exchange rate

1. Impact of exchange rate on the Company's revenue and profit

The major foreign currency-denominated sales of the Company and its subsidiaries are denominated in US dollars, while the major raw material and machinery equipment are partial denominated in US dollars or Japanese yen. Therefore, accounts receivable charge against accounts payable for foreign currency-denominated will bring part of nature hedge effect. However, exchange gain or loss may arise when exchanging such funds to New Taiwan Dollars. Thus, exchange rate changes may have impacts on the Company's revenue and profit.

2. Countermeasures

The exchange rate fluctuation of foreign currency assets and liabilities of the Company and its subsidiaries is based in nature hedge, supplemented with the related hedge management measures as follows to serve as short-term response:

- (1) The finance department will monitor international exchange rate changes from time to time, and gather the related information of exchange rate changes at all times to grasp the trend of international exchange rate changes. The finance department will also conduct timely exchange pursuant to the Company's needs of funds to lower the risk exposure of exchange rate changes.
- (2) With the characteristic of nature hedge, the Company will use foreign currency liabilities to balance foreign currency assets. Further, the Company will also use bank loan and other methods to adjust the ratio of foreign currency assets and liabilities. Such actions may help the Company to lower the impact of exchange rate changes.

(III) Inflation

The impact of inflation is enormous, and the Company will gather information of

international economic situation and the factors might trigger an unusually heated inflation to keep constant watch of market price fluctuation of raw material and keep looking for substitutive materials. Also, the Company and its subsidiaries will provide relevant information to Company's management team as a basis for review and decision making. The Company and its subsidiaries will also keep good interactive relationship with suppliers and customers to enhance the response to cost changes, and proceed with further negotiate regarding purchases and prices in order to avoid adverse impact of inflation on the Company. The company demand for precious metals accounted for a certain proportion of the production, to establish a precious metal processing and supply chain to improve the establishment of a more flexible response to the risk of loss caused by precious metal price fluctuations.

## II. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company and its subsidiaries do not engage in any high-risk, high-leverage investment. The Company's derivatives transactions are strictly for hedging the risk of exchange rate changes of the Company's assets and liabilities denominated in foreign currency and are all under the Company's control. Every banking transaction is handled in accordance with the operation process of derivatives transactions provided in our "Operational Procedures for the Acquisition or Disposal of Assets" and "Authority Table of Finance Operation Authorization and Approval."

As of the date of publication of this annual report, the Company and its subsidiaries have not lent loans nor made endorsement/guarantee to others. Only for the company's operation activities for customs tariff endorsement guarantee amounted to NT\$99,000 thousand.

## III. Future Research & Development Projects and Corresponding Budget

### (I) R&D projects in the future

The Company and its subsidiaries have been established in line with "R&D-based" objective, focusing on advanced R&D and production problem solving of assembly and testing business. Every year we will devote in R&D regarding various issues in mechanics, material, electrical and other related domain in order to provide customers with all round information. 3C products have to be possessed of the characters of light, thin, short and small for mobile platform and prevalence stretching over different applicable electronic products, such as touch panel controller IC, power management IC, biometrics authentication (such as fingerprint sensor) etc. Therefore, further advanced multi-chip assembly technologies have become a basic equipment to achieve full-scale integration.



The assembly and testing houses need build up the state of the art capabilities and develop the R&D technologies to provide customers with effective solutions and to maintain the market competitiveness. Thus, the Company and its subsidiaries keep enhancing investments in core technologies and working toward R&D in advanced technologies regarding assembly and testing. The Company and its subsidiaries have put a lot of effort on R&D over decades, and the achievement should be attributed to the professional skills of the engineers and their accumulated experiences. Their appropriate control of materials and improvement in equipment also helped in reducing production costs. In addition, the Company and its subsidiaries conducted an industry, research institution and university co-development project to jointly research and develop in next generation advanced assembly and testing technologies. The Company and its subsidiaries will align customer's product development schedule and technology development roadmap by more aggressive R&D development resource. Meanwhile, the involved R&D resource also could enhance the core technology capability and expand the new business opportunity. Based on the foregoing, the Company and its subsidiaries have the self-confidence to be the pioneer in the assembly and testing industry.

(II) New products (services) planned to be developed

The Group not only plans to keep increasing capacity of assembly and testing services for high-end memory, but also plans to expand regarding the assembly and testing services for the following products:

1. Develop fine pitch Cu RDL line width and space with 3um/3um for advanced re-distribution layer device design requirement.
2. Shrink ball size with ball mount technology and combine thinner wafer grinded thickness to achieve thin WLCSP requirement.
3. Double-sided Heat Sink/ High conductivity material development is applied in thermal packaging services for high-resolution panels.
4. Source & Gate ICs integrated technology development is used in product applications with narrow border panels.
5. Develop BGA SSD assembly technology, offer multi-chip & SIP total solution, and apply SDBG process for ultra thin 3D Nand flash (<50um).
6. Hybrid package by integration of wire binding & flip-chip process to offer total solution for UFS device.

(III) Future R&D Plans

The estimated R&D expenditure of the Company and its subsidiaries are gradually recognized in accordance with the developing progress of new products and technologies, and will maintain a certain rate of growth based on future operating conditions to ensure the competitiveness of the Company and its subsidiaries. Total R&D budget is estimated to be around 5% of 2021 revenue.

IV. Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company and its subsidiaries' financial status are not affected by major changes in domestic and foreign government policies and laws in recent years. Nevertheless, since the rules and regulations of the Company and its subsidiaries are stipulated and enforced with the relative laws and regulations, if there is any amendment, the Company and its subsidiaries will amend and renew their rules and regulations in accordance with such amendment.

V. Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The industry, products and technologies which the Company and its subsidiaries now engaged are changing rapidly, requiring the Company to not only introduce advanced process technologies but also enhance the partnership of the strategic alliance with upstream and downstream vendors of the supply chain. The Company and its subsidiaries shall devote to acquiring and developing advanced process technologies, obtain strategic cooperative alliance with major material suppliers and customers, and enhance marketing channel to make a diverse development in products and customers. As for financial operation, the Company and its subsidiaries shall aim at the characteristic of business to strengthen the management of cash flow and to maintain adequate financial structure to disperse operating risks.

VI. The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company and its subsidiaries maintained an excellent corporate image by operating with integrity and complying with the relevant laws and regulations. Up to date, there has been no event that adversely impact in the corporate image of the Company and its subsidiaries..

VII. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans  
None.

VIII. Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

The layout of plant of the Company and its subsidiaries is according to fill up current capacity first and consider the necessary to satisfy the future needs of customers and market development trend. Expansion of the plant of the Company and its subsidiaries has been completely and prudently evaluated by responsible departments. Investment recovery and possible risks have also been taken into consideration.

IX. Risks Relating to and Response to Excessive Concentration of Purchasing Sources and

## Excessive Customer Concentration

### (I) Purchases

The Company duly evaluates the financial and operating status of our major suppliers. Purchases of major raw materials are generally purchased from two or more suppliers except in the event that such materials shall be purchased from suppliers certified or designated by customers. Our suppliers are all well-known manufacturers from home or abroad. We keep long-term partnership with all the suppliers in order to assure a steady purchase. We also develop substitute materials and suppliers to increase the flexibility of supply sources. In view of the impact of the serious COVID-19 situation on the material supply, we take the location of suppliers' manufacturing facilities and supply lead time into account in order to disperse risks of purchase concentration and to enhance the integrity and reliability of supply chain.

### (II) Sales

The Company is the second largest assembly and testing house for LCD display driver IC in Taiwan and have deeply ploughed the assembly and testing services in semiconductor back-end processes industry. The major business lies in providing assembly and testing services for MF/HF memory, high density memory, LCD display driver IC, communication IC, and logic/mixed-signal IC etc. The major customers include semiconductor design companies, integrated device manufacturers and semiconductor IC Fabs at home and abroad. Sales made to the top 10 customers of the Company respectively accounted for 84.7% , 84.2% and 84.1% of the net revenue for each year from 2018 to 2020. Sales made to the top 10 customers in each season were very stable and no sales made to any singular customer or group accounted for over 30% of all sales. Therefore, the Company does not run the risk of over-concentration in sales. Further, the Company will not only keep providing fine services for solutions and technical support to customers, but will also maintain a well and long-term relationship with existing customers. We will also further devote to win new customers that engage in logic/mixed-signal IC and consumer IC products in order to reduce risks associated with sales concentration.

## X. Hazardous Risks and Utility Supply Interruption or Shortage Risks

The frequency and severity of catastrophic events, including natural disasters and severe weather has been increasing, in part due to climate change or systemic regional geological changes that manifest in damaging earthquakes. ChipMOS has manufacturing and other operations in locations susceptible to natural disasters, such as flooding, earthquakes, tsunamis, typhoons, and droughts that may cause interruptions or shortages in the supply of utilities, such as water and electricity, that could disrupt operations. In addition,

ChipMOS's suppliers and customers also have operations in such locations. For example, most of ChipMOS's production facilities, as well as those of many of its material suppliers and equipment vendors, are located in Taiwan and Japan. We currently provide most of our testing services through our facilities in the Hsinchu Science Park and the Hsinchu Industrial Park in Taiwan, and all of our assembly services through our facility in the Southern Taiwan Science Park, which are susceptible to earthquakes, tsunamis, flooding, typhoons, and droughts from time to time that may cause shortages in electricity and water or interruptions to our operations. Significant damage or other impediments to these facilities as a result of natural disasters, industrial strikes or industrial accidents could significantly increase our operating costs. Thus, if one or more natural disasters that result in a prolonged disruption to ChipMOS's operations or those of its customers or suppliers, or if any of its or vendor facilities were to be damaged or cease operations as a result of an explosion or fire, it could reduce the Company's manufacturing capacity and may cause us to lose important customers, thereby having a potentially adverse and material impact on our operational and financial performance.

The production facilities of many of our suppliers, customers and providers of complementary semiconductor manufacturing services, including foundries, are located in Taiwan. If our customers are adversely affected by natural disasters or other events occurring in or affecting these geographic areas, it could result in a decline in the demand for our assembly and testing services. If our suppliers and providers of complementary semiconductor manufacturing services are affected by such events, our production schedule could be halted or delayed. As a result, a major earthquake, other natural disaster, industrial strike, industrial accident or other disruptive event occurring in or affecting Taiwan could severely disrupt our normal operation of business and have a material adverse effect on our financial condition and results of operations.

ChipMOS has occasionally suffered power outages or surges in Taiwan caused by difficulties encountered by its electricity supplier, the Taiwan Power Company, or other power consumers on the same power grid, which have resulted in interruptions to our operations.

ChipMOS maintains a comprehensive risk management system dedicated to the safety of people, the conservation of natural resources, and the protection of property. In order to effectively handle emergencies and natural disasters, at each facility management has developed comprehensive plans and procedures that focus on risk prevention, emergency response, crisis management and business continuity. All ChipMOS manufacturing factories have been ISO 14001 certified (environmental management system) and OHSAS 18001 certified (occupational health and safety management system).

The Company pays special attention to preparedness of emergency response to disasters, such as typhoons, floods and droughts caused by climate change, earthquakes, pandemics (such as H1N1 influenza, new coronavirus), and disruptions to water, electricity

and other public utilities. ChipMOS has established a company-wide taskforce dedicated to managing the risk of a water or electricity shortage that might arise due to climate change. Despite our preparedness, there is no assurance that any such natural disaster would not severely disrupt our normal operation of business and have a material adverse effect on our financial condition and results of operations.

In response to the impact of the earthquake that occurred in Taiwan, ChipMOS conducted a continuous improvements including enhancing earthquake emergency response, enhancing tool anchorage and seismic isolation facilities, preparedness for speeding up tool salvage and production recovery. Although the Company maintains many overlapping risk prevention and protection systems, as well as fire and casualty insurance, ChipMOS's risk management and insurance coverage may not always be sufficient to cover all of the Company's potential losses. If any of ChipMOS's or vendor facilities were to be damaged or cease operations as a result of an explosion, fire or environmental causes, it could reduce the Company's manufacturing capacity and may lead to the loss of important sales and customers, and impact on ChipMOS's financial performance. In addition to periodic fire-protection inspections and firefighting drills, the Company has also carried out a corporate-wide fire risk mitigation project focused on managerial and hardware improvements.

In addition, beginning in late 2019, new coronavirus, COVID-19, originating. In today's era of extremely frequent global interaction, convenient transportation and frequent contact have caused the epidemic to spread rapidly. The WHO has agreed that the COVID-19 outbreak is still a PHEIC. Various countries implemented different levels of lockdown measures to prevent further spread of COVID-19. These lockdown measures and COVID-19 epidemic are resulting in industry supply chain logistics may be delayed or interrupted risk and even the risks of health and safety protection of employees and production disruption. We may incur expenses or delays relating to such events outside of our control, which could have a material adverse impact on our business, operating results and financial condition. ChipMOS closely following all guidelines and regulations provided by The Taiwan Central Epidemic Command Center (CECC) among others and have taken a series of actions including put an internal task force in place to allow us to better monitor the situation and to take action faster across our operations and ensure health of our employees. We are maintaining full inventory levels to ensure uninterrupted production. We are also in close contact with all of our vendors and have taken actions to provide extra back-up as the situation continues evolve. This includes increasing inventory levels and back-up vendor sources where it makes sense.

XI. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%:

The Company's Corporate director, Siliconware Precision Industries Co., Ltd. (SPIL), originally held 148,910,390 shares of ChipMOS, with a shareholding ratio of 20.48%. In June 2020, it transferred 70,000,000 shares. SPIL held 78,910,390 shares of ChipMOS, holding 10.85%, after the transfer. There is no significant impact on the company's business and finances for the above equity transfer.

#### XII. Effects of, Risks Relating to and Response to the Changes in Management Rights:

In the most recent year and as of the publication date of this annual report, there was no such situation. This section is thus not applicable.

#### XIII. Litigation or Non-litigation Matters

- (I) Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.
- (II) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings:

Broadcom Corporation, Broadcom Singapore PTE, Ltd., and Broadcom Limited (collectively, "Broadcom") previously filed a request to the American Arbitration Association ("AAA") for arbitration against Siliconware Precision Industries Co., Ltd. ("SPIL"), the major shareholder holding more than 10% of ChipMOS TECHNOLOGIES INC.'s shares, regarding the dispute related to the performance of the Semiconductor Packaging Agreement (the "Agreement") executed by and between SPIL and Broadcom in September, 2012. According to the Agreement, in the event that the assembling and testing services provided by SPIL infringes the patents of any third party and, as a result of such infringement, causes any losses for Broadcom, SPIL shall indemnify and hold harmless Broadcom from such losses. In the aforementioned arbitration proceeding, Broadcom and SPIL ultimately reached an agreement in December, 2019 for the patent infringement dispute between Broadcom and Tessera Technologies, Inc., under which SPIL shall pay USD 5 million for settlement by installment. SPIL has executed the settlement agreement with Broadcom in February, 2020. Aside from the abovementioned dispute, no other lawsuits have been filed against SPIL.

#### XIV. Other Major Risks and Countermeasures

- (I) Risks Associated with Cyber Attacks

The Company has announced an Information Security Policy since 2014. Setting up an Information Security Management Committee and communication email in organization. Implementing an ISMS (information security management system) based on ISO/IEC 27001:2013 information security standard. The Company has established ISO 27001 framework contains 14 domains. These domains cover a wide variety of control objectives, policies to protect the Confidentiality, Integrity and

Availability of the Company information assets security.

Formulate operational standards for information security related management procedures, plan internal management related activities of the security, and assist in the internal information security related risk assessment and needs. Each year, information technology center's related control objectives and control measures are reviewed through internal audit activities and external third-party verification. Currently, in 2017, ISO/IEC 27001 certifications have been obtained. The audit was also completed in December 2020 and a new certificate was issued..

The Company continuously develop disaster recovery architecture for important information assets and conduct disaster recovery plan & implement disaster recovery rehearsal (DR rehearsal). The rehearsal information system recovery time objective (RTO) can be completed within the maximum tolerable period of disruption (MTPD) to reduce the production interruption time or property loss caused by disasters. The Information Technology Center has completed 30 items DR rehearsal for important information systems and services in last year. It includes databases, production system hosts, networking, core switches, firewall and other types of information assets. DR rehearsal adopts standardized disaster recovery plan to make the same expected disaster recovery effect can be obtained in the different factory area and different system administrator.

In order to obtain the cyber security threats and vulnerability risk assessments. The Company join the Science Park Information Sharing and Analysis Center (SP-ISAC) external security organization. SP-ISAC provide information security analysis services and provide information alerts about current security issues, vulnerabilities, and exploits. Using submit security incident support form can help ISMS security team analysis and response to the security incident. To reduce cyber security risk by setting up network security equipment, in addition using intrusion detection system to real time analyze & block abnormal network behaviors. Maintain and identifying information assets value (confidentiality, integrity and availability) through information assets inventory every year. The information assets value corresponds to determines the assets protection level plan needs. In response to the increasing trend of phishing email cybercrime by social engineering email attacks, implement phishing simulations test and educate employees on how to spot phishing and avoid attacks, increase employee awareness for reduce risk.

VII. Special Disclosure: None.

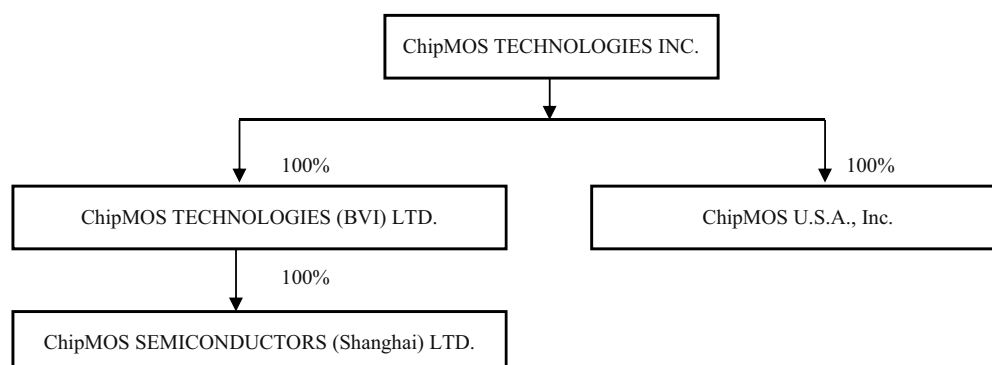
## VIII. Other Special Disclosure

### I. Summary of Affiliated Companies

#### (I) Consolidated Business Report of Affiliated Enterprises for the most recent fiscal year

##### 1. Affiliated Companies Chart

December 31, 2020



##### 2. Affiliated Companies Profile

December 31, 2020

Company Name	Date of Incorporation	Location	Paid-in Capital	Major Business Activities
ChipMOS U.S.A., Inc.	October 25, 1999	San Jose, USA	US\$7,100 thousand (NT\$217,918 thousand)	Marketing of semiconductors and electronic related products
ChipMOS TECHNOLOGIES (BVI) LTD.	January 29, 2002	British Virgin Islands	NT\$ 5,973,322 thousand	Holding company
ChipMOS SEMICONDUCTORS (Shanghai) LTD.	March 3, 2020	Shanghai, People's Republic of China	US\$500 thousand (NT\$ 15,113 thousand)	Marketing of semiconductors and electronic related products

##### 3. Shareholders in Common of the Company and Its Subsidiaries with Deemed Control and Subordination: None.

##### 4. Business Scope of the Company and Its Affiliated Companies

Business scope of the Company and its affiliates include the research, development, manufacturing and sale of high-integration and high-precision integrated circuits and related assembly and testing services. A few affiliates engage in investment business only in order to create a greatest benefit for the Company and its affiliated companies through mutual support of technologies, production, marketing and services.



## 5. Roster of Directors, Supervisors and Presidents of Affiliated Enterprises

December 31, 2020 (Unit: shares ; %)

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
ChipMOS U.S.A., Inc.	Chairman	Representative of ChipMOS TECHNOLOGIES INC.: Lafair Cho	3,550,000	100%
	President/Director	Representative of ChipMOS TECHNOLOGIES INC.: Shih-Fan Cheng		
	Director	Representative of ChipMOS TECHNOLOGIES INC.: Shih-Jye Cheng		
	Director	Representative of ChipMOS TECHNOLOGIES INC.: Yung-Wen Li		
	Director	Representative of ChipMOS TECHNOLOGIES INC.: Silvia Su		
ChipMOS TECHNOLOGIES (BVI) LTD.	Chairman	Representative of ChipMOS TECHNOLOGIES INC.: Lafair Cho	2,413,992,975	100%
	Director	Representative of ChipMOS TECHNOLOGIES INC.: Silvia Su		
ChipMOS SEMICONDUCTORS (Shanghai) LTD.	Chairman/President	Representative of ChipMOS TECHNOLOGIES (BVI) LTD.: Teng-Yueh Tsai (D.Y. Tsai)	Note	100%
	Supervisor	Representative of ChipMOS TECHNOLOGIES (BVI) LTD.: Silvia Su		

Note: Limited company, hence does not issue common stock.

## 6. Business Overview of Affiliated Companies

December 31, 2020 (Unit: NT\$ thousands)

Company Name	Paid-in Capital	Total Assets	Total Liabilities	Net worth	Revenue	Operating profit (loss)	Profit (loss) for the year	Earnings (loss) per share (NT\$)
ChipMOS U.S.A., Inc.	217,918	238,184	11,414	226,770	32,597	2,086	2,929	0.83
ChipMOS TECHNOLOGIES (BVI) LTD.	5,973,322	3,054,763	-	3,054,763	Note 1	(12,674)	(175,642)	(0.07)
ChipMOS SEMICONDUCTORS (Shanghai) LTD.	15,113	15,315	438	14,877	7,049	358	(536)	Note 2

Note 1: No operating activities as a holding company.

Note 2: Limited company, hence does not need to calculate EPS.

## (II) Consolidated Financial Statements of Affiliated Companies

For the year ended December 31, 2020, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements under International Financial Reporting Standards No.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.

(III) Affiliation Report: Not applicable.

II. Status of Company's Private Placement in the Most Recent Year and Up to the Date of Publication of the Annual Report: None.

III. Holding or Disposal of Shares of the Company by Subsidiaries in the Most Recent Year and Up to the Date of Publication of the Annual Report: None.

IV. Other Necessary Supplement: None.

**IX. Any Event that Have Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 2 of Paragraph 3 of Article 36 of Securities and Exchange Law in the Most Recent Year and Up to the Date of Publication of the Annual Report: None.**

**ChipMOS TECHNOLOGIES INC.**

**Chairman: Shih-Jye Cheng**



# ChipMOS