

RichWave Technology Corporation

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2020 Annual Report

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Company annual report website <http://www.richwave.com.tw>

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Notice to Readers:

The reader is advised that the annual report has been prepared originally in Chinese. The English version is directly translated from Chinese version.

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V. Overseas Securities Exchange Where Securities are Listed and Method of Inquiry: Not applicable

VI. Website: <http://www.richwave.com.tw>

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Chapter I. Letter to Shareholders

I wish to thank the shareholders for your support in the past year. For years, RichWave has continuously launched new WiFi wireless communication IC products and focused on using its innovation, technologies, and unique market positioning to create products with market differentiation. We believe that RichWave will uphold its unique position in the market with a diverse range of wireless application. We remain confident for the future to come.

I. 2020 Business Report

(I) Consolidated Business Results

Unit: NT\$ thousands

Item	Year 2020	2019	Amount of increase (decrease)	%
Operating revenue	5,350,200	2,749,555	2,600,645	94.6%
Gross operating profit	1,898,627	984,678	913,949	92.8%
Net operating revenue	1,007,952	243,234	764,718	314.4%
Net profit before tax	1,017,107	243,745	773,362	317.3%
Net profit after tax	866,216	190,737	675,479	354.1%
Comprehensive income	865,023	189,955	675,068	355.4%

(II) Budget Implementation

The Company did not prepare a financial forecast for 2020 and therefore does not have budget achievement status for reporting.

(III) Analysis of Consolidated Financial Structure, Solvency, and Profitability

		2020	2019
Financial structure (%)	Liabilities to assets ratio	40.31	42.58
	Long-term working capital to real estate, plants and equipment ratio	1,713.23	1,271.43
Solvency (%)	Current ratio	235.44	217.68
	Quick ratio	146.19	156.57
Profitability (%)	Return on assets	28.69	8.99
	Return on equity	48.75	15.00
	Ratio of net profit before tax to paid-in capital	160.95	39.34
	Profit margin	16.19	6.94
	Earnings per share	13.82	3.13

(IV) Research and Development

	2020	2019
R&D expenses	513,922	399,253
Operating revenue	5,350,200	2,749,555
Proportion of R&D expenses in business revenue	9.6%	14.5%

II. Summary of 2021 Business Plan

(I) 2021 Business Strategy

RichWave will uphold sustainability in its business strategy and focus on core business operations. We shall abide by regulatory requirements and change our business targets with flexibility in accordance with changes in the environment. With an experienced management team, we shall continue to maintain profitability and growth of the Company in a business environment with rapid changes.

(II) Expected Sales Volume and Its Basis

In 2021, RichWave shall continue to expand channels and expand the market scale and market share. Based on the current information we have obtained regarding the conditions and production capacity of customers, we plan to sell 1,500 to 2,400 million units. Due to the rapid changes in the market and trade environment, we shall closely monitor the market conditions to determine subsequent sales strategies.

(III) Major Production & Sales Policies

The Company's production and sales strategy in 2021 will continue to focus on aggressive market development and expansion of customer base and application areas. With our core product design capabilities, we will continue to compete head-on with foreign companies with long-held market shares to create profits for both the Company and shareholders.

(IV) Future Development Strategy

The mobile communication and wireless communication industry are expected to continue their rapid development in 2021. RichWave has launched a diverse range of products and created a comprehensive product line for WiFi 6 products. We expect RichWave to achieve continuous growth in the global WiFi RF IC market.

(V) Impact of the External Competitive Environment, Regulatory Environment, and Overall Business Environment

(1) Impact from Exchange Rate Changes:

RichWave's sales revenue and procurement expenditures are mostly denominated in USD and we use foreign-currency assets to offset foreign-currency liabilities to achieve natural hedging. RichWave also closely monitors information on exchange rate changes and exchange rate developments in order to adjust foreign-currency assets and liabilities in accordance with developments in the global macroeconomic environment, exchange rates, and future capital demand. These measures are taken to evade exchange rate risks and reduce the impact of exchange rate changes on the Company's profit and loss.

(2) Risks Associated with Over-Concentration in Purchase or Sale and Response Measures:

RichWave's procurement is concentrated due to concerns in product quality and preferred purchasing price, though RichWave maintains at least two suppliers for its main materials avoid risks resulting from over-concentration in purchasing. In addition, the concentration of RichWave's sales is mainly due to the distributors' sales to customers in Taiwan and China. To mitigate the risks of over-concentration of sales, RichWave also actively develops customers with long-term cooperation and carefully selects customers of excellent financial background to lower the risks of over-concentration of sales.

(3) The Impacts of Changes of Important Domestic and Foreign Policies and Laws on the Company's Finances and Business, and the Countermeasures:

RichWave complies with all related domestic and foreign laws and regulations in day-to-day operations and continuously pays close attention to domestic and foreign policy development trends and changes in legislation to fully understand changes in the market environment. Therefore, the Company's finance and business have not been affected by major changes in government policies and laws at home and abroad in the most recent year.

(4) Overall Business Environment

RichWave continuously monitors technological changes and developments in the industry and quickly gains information on industry developments. RichWave continuously enhances its R&D capabilities, applies for patent protection for various innovative concepts and design developments, and actively expands future market applications to counter the impact of technological changes and industry changes on the Company.

Finally, RichWave's management team would like to thank the shareholders once again for the long-term support and we hope that they can continue to provide encouragement and information in the new year. RichWave will also continue to uphold our mission for maximizing profits for shareholders.

I would like to wish all our shareholders good fortune and health.

Chairman of the Board: Dye-Jyun Ma

President: Shih-Chi Wang

Chief Accounting Officer: Wei-Che Hsu

Chapter II. Company Profile

I. Date of incorporation

Jan. 7, 2004

II. Company History

Date	Company History
Jan. 2004	The Company was incorporated with an initial capital of NT\$1,000,000.
Feb. 2004	Applied for renaming the Company to Lihui Technology Co., Ltd.
Mar. 2004	Cash capital increase of NT\$199,000,000 to increase the paid-up capital to NT\$200,000,000.
Jun. 2004	Relocated the Company to 3F, No. 1, Alley 20, Lane 407, Sec. 2, Tiding Blvd., Neihu District, Taipei City.
Jul. 2004	Launched the first CMOS Synthesizer + VCO single chip 400-2500MHz in Taiwan.
Mar. 2005	Launched the first highly integrated CMOS 2.4GHz AV Transceiver in Taiwan.
May 2005	Launched the first SiGe WiFi 802.11 b/g power amplifier with successful mass production in Taiwan.
May 2005	Cash capital increase of NT\$66,660,000 to increase the paid-up capital to NT\$266,660,000.
Apr. 2006	Cash capital increase of NT\$50,000,000 to increase the paid-up capital to NT\$316,660,000.
Jul. 2006	Launched SiGe WiFi 802.11 per-n power amplifier with successful mass production.
Nov. 2006	Launched WiFi 802.11 b/g power amplifier module with successful mass production.
Jan. 2007	Launched the first RF LNA with successful mass production.
Jun. 2007	Launched WiFi power amplifier module with successful mass production. 802.11 a
Jul. 2007	Launched WiFi 802.11 a/b/g dual-band power amplifier with successful mass production.
Aug. 2007	Launched the first highly integrated CMOS 2.4GHz/5.8GHz Dual band AV Transceiver.
Nov. 2007	Cash capital increase of NT\$30,000,000 to increase the paid-up capital to NT\$346,660,000.
Mar. 2008	Launched WiFi 802.11 n power amplifier with successful mass production.
Dec. 2008	Converted employee subscription warrants to shares totaling NT\$6,750,000 to increase the paid-up capital to NT\$353,410,000.
Apr. 2009	Launched the first RF Switch with successful mass production.
Apr. 2009	Launched Front-End Module (FEM) with successful mass production.
Jun. 2009	Launched the first Zero BOM FM single chip with successful mass production.
Jun. 2009	Converted employee subscription warrants to shares totaling NT\$800,000 to increase the paid-up capital to NT\$354,210,000.
Feb. 2010	Converted employee subscription warrants to shares totaling NT\$10,920,000 to increase the paid-up capital to NT\$365,130,000.
Mar. 2010	Launched WIMAX PA with successful mass production.
Jun. 2010	Launched the first Digital AV Transceiver and Processor with successful mass production.

Date	Company History
Jun. 2010	Cash capital increase of NT\$15,000,000 to increase the paid-up capital to NT\$380,130,000.
Jun. 2010	Converted employee bonus and earnings to capital increase of NT\$8,914,360 to increase the paid-up capital to NT\$390,005,860.
Jul. 2010	Launched WiFi Front-End Module (FEM) for mobile.
Jul. 2010	Converted employee subscription warrants to shares totaling NT\$2,700,000 to increase the paid-up capital to NT\$392,705,860.
Aug. 2010	Received approval from the Financial Supervisory Commission for public issuance of the Company's stocks.
Oct. 2010	Officially registered as an emerging stock on the Gre Tai Securities Market.
Dec. 2010	Launched Femtocell PA with successful mass production.
Apr. 2011	Converted employee subscription warrants to shares totaling NT\$10,050,000 to increase the paid-up capital to NT\$402,755,860.
Jul. 2011	Launched Multi-Switch for Satellite with successful mass production.
Nov. 2011	Converted employee subscription warrants to shares totaling NT\$780,000 to increase the paid-up capital to NT\$403,535,860.
May. 2012	Converted employee subscription warrants to shares totaling NT\$590,000 to increase the paid-up capital to NT\$404,125,860.
Jun. 2012	Launched LTE and 3G Femto PA with successful mass production.
Sep. 2012	Converted employee subscription warrants to shares totaling NT\$720,000 to increase the paid-up capital to NT\$404,845,860.
Nov. 2012	Launched 2.4GHz Wireless Car rearview System with successful mass production.
Feb. 2013	Launched 2x2 and 4x2 LNB SW with successful mass production.
Apr. 2013	Converted employee subscription warrants to shares totaling NT\$4,800,000 to increase the paid-up capital to NT\$409,645,860.
Jun. 2013	Launched 4-in-1 wireless surveillance and remote monitoring system through the Internet by handset, with successful mass production.
Jul. 2013	Launched WiFi 802.11ac 5GHz RF component, obtained certification for main chipset with successful mass production.
Aug. 2013	Converted employee subscription warrants to shares totaling NT\$930,000 to increase the paid-up capital to NT\$410,575,860.
Feb. 2014	Launched 2.4GHz SOI antenna switch products with better ESD protection with successful mass production.
Apr. 2014	Converted employee subscription warrants to shares totaling NT\$8,720,000 to increase the paid-up capital to NT\$419,295,860.
Aug. 2014	Converted employee subscription warrants to shares totaling NT\$5,010,000 to increase the paid-up capital to NT\$424,305,860.
Feb. 2015	Received the approval document for technology business from the Industrial Development Bureau, Ministry of Economic Affairs.
Mar. 2015	Converted employee subscription warrants to shares totaling NT\$14,850,000 to increase the paid-up capital to NT\$439,155,860.
Sep. 2015	Converted employee subscription warrants to shares totaling NT\$820,000 to increase the paid-up capital to NT\$439,975,860.
Nov. 2015	Cash capital increase of NT\$59,000,000 to increase the paid-up capital to NT\$498,975,860.
Nov. 2015	Taiwan Stock Exchange Corporation approved the Company's public listing on the Exchange.

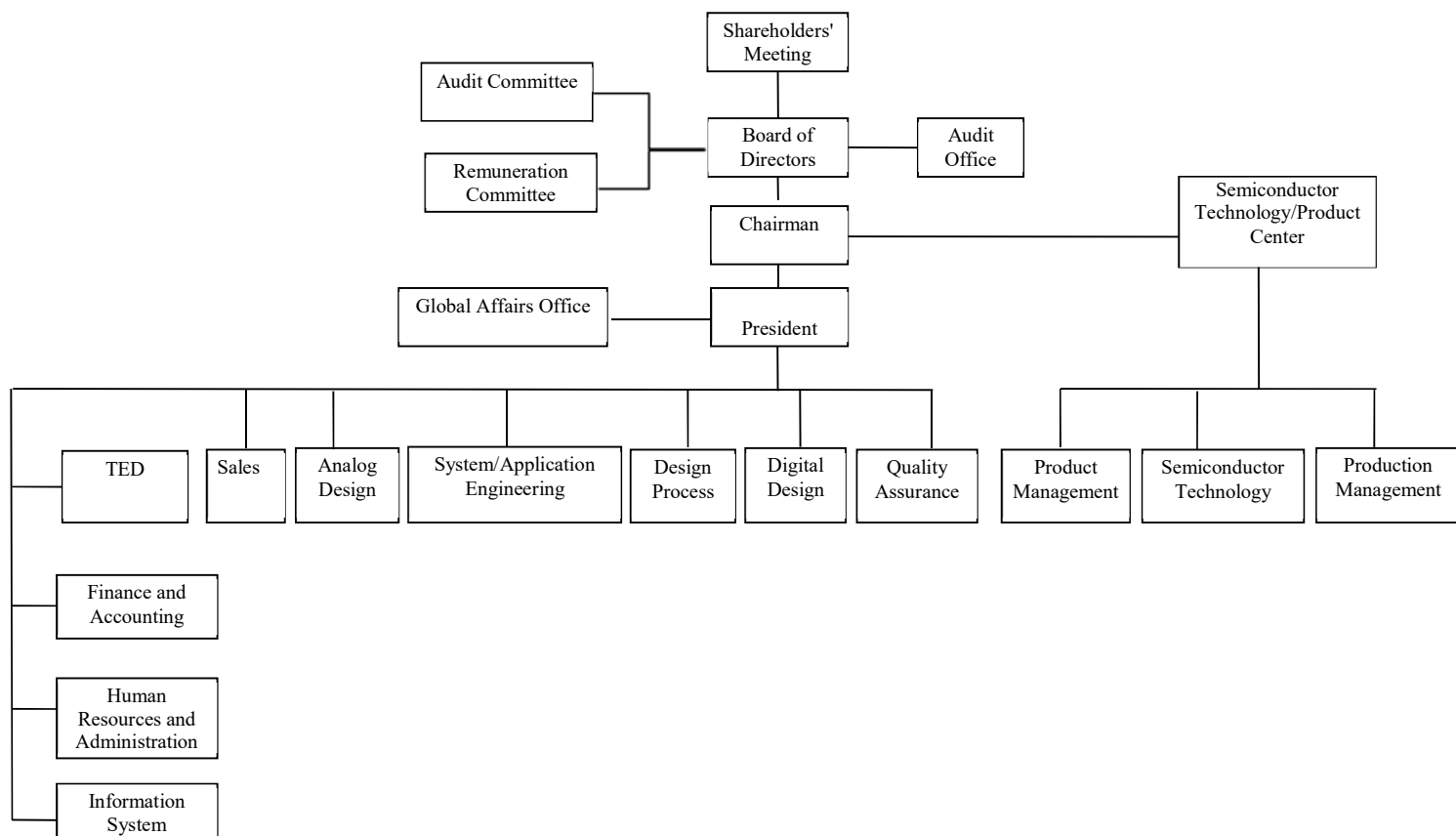
Date	Company History
May. 2016	Launched WiFi SW for AOA applications and obtained certification for main chipset with successful mass production.
Jul. 2016	Launched high-power 5GHz FEM for 802.11ac with successful mass production.
Aug. 2016	Converted earnings to capital increase of NT\$49,897,580 to increase the paid-up capital to NT\$548,873,440.
Oct. 2018	Converted earnings to capital increase of NT\$54,887,340 to increase the paid-up capital to NT\$603,760,780.
Dec. 2018	Established the offshore investment company Minerva Technology Co. in Belize
Jan. 2019	Established the subsidiary Aegis Link Corp. in the United States.
Jun. 2019	Launched high-power 5GHz FEM for 802.11ax with successful mass production.
Aug. 2019	Converted employee subscription warrants to shares totaling NT\$10,270,000 to increase the paid-up capital to NT\$614,030,780.
Nov. 2019	Converted employee subscription warrants to shares totaling NT\$4,750,000 to increase the paid-up capital to NT\$618,780,780.
Mar. 2020	Converted employee subscription warrants to shares totaling NT\$2,650,000 to increase the paid-up capital to NT\$621,430,780.
Aug. 2020	Converted employee subscription warrants to shares totaling NT\$10,490,000 to increase the paid-up capital to NT\$631,920,780.

Chapter III. Corporate Governance Report

I. Organization

(I) Organization chart

Apr. 20, 2021



(II) Department Functions

Unit	Main business
Audit Office	Review and assess the Company's internal controls and provide recommendations for improvement to promote business efficiency and effective implementation of internal controls.
Sales	Develop product marketing strategy and market deployment.
TED	Development of advanced technologies and development and design of new products.

Unit	Main business
Human Resources and Administration	Oversee the administration of the Company's human resources, general affairs, and plant security. Establishment and execution of related management systems, planning and execution of training, and establishment and execution of performance evaluations.
Information system	Responsible for the Company's information system structure and information security
Finance and Accounting	Responsible for fund management and allocation, transactions with financial institutions, cashier, and general shareholder services. Responsible for the establishment of an accounting system and execution of general accounting operations.
Analog/Digital Design/Design Process	Development of advanced technologies and development and design of new products. Review, execution, and assessment of research plans.
System/Application Engineering	Hardware assembly integration and test software development in the new product development stage. Client-end system integration and application planning, design, and assessment of new products. Integration of the Company's internal products to propose designs that meet customer demand.
Quality Assurance	Planning, execution, and follow-up of internal quality auditing. Planning and setting up of quality system and quality assurance operation procedures. Management, printing, and updating of company regulations, storage and publication of standard operating procedures and quality records, and maintaining and assistance for the ISO/QS quality (environmental protection) system.
Semiconductor Technology/Product Center	Operations of the manufacturing management system. Manufacturing and production technology improvements and construction management.
Global Affairs Office	Responsible for the Company's legal and administrative affairs and review of the legality and compliance of company rules and regulations; formulation of frequently used contract templates; participation in the negotiation, drafting, review, signing, performance, arbitration, and litigation of administrative and commercial contracts, etc. Responsible for the establishment, continuous operations and supervision of the business and administrative plans of the Company's branches or representative offices across the world in accordance with local laws and regulations.

II. Information on the Company's Directors, Supervisors, President, Vice Presidents, Associate Managers, and the Supervisors of All the Company's Divisions and Branch Units

(I) Directors:

Apr. 20, 2021; shareholding information as of March 29, 2021; unit: shares, %

Title	Nationality/place of registration	Name	Gender	Date elected (appointed)	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors or supervisors who are spouses or within the second degree of kinship			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
Chairman of the Board	Republic of China	Dye-Jyun Ma	Male	2019.05.24	3 years	2010.06.04	2,011,243	3.33%	1,943,243	3.08%	2,576,255	4.08%	—	—	PhD in Electrical Engineering, University of Maryland (United States) Professor and Dean, Department of Electrical Engineering, National Chung Hsing University Vice President, Richtek Technology Corp.	Chairman of the Company Director, Minerva Technology Co. (United States) Director, Aegis Link Corp.	President	Shih-Chi Wang	Spouse	Note 3
Director	Republic of China	Shih-Chi Wang	Female	2019.05.24	3 years	2004.03.18	2,526,255	4.18%	2,576,255	4.08%	1,943,243	3.08%	—	—	PhD in Electrical Engineering, University of Maryland (United States) Associate Professor, Department of Electrical Engineering, Feng Chia University Director, Electronic Technology Research and Development Department, Winbond Electronics Corporation Senior Project Manager, Taiwan Semiconductor Manufacturing Company Assistant Vice President, Ali Corporation	President of the Company	Chairman of the Board	Dye-Jyun Ma	Spouse	Note 3
Director	Republic of China	Ching-Hua Wang	Male	2019.05.24	3 years	2016.05.27	—	—	—	—	—	—	—	—	PhD in Electrical Engineering, University of Southern California (United States) Manager, GaAs Operation, Hughes Aircraft Co. (United States) Senior Manager, Intel Corporation (United States) President, Advanced Wireless Semiconductor Company	—	—	—	—	—
Director	Republic of China	Wei-Kang Teng	Male	2019.05.24	3 years	2010.06.04	549,578	0.91%	419,578	0.66%	90	0.00%	—	—	PhD in Electrical Engineering, National Taiwan University Technical Assistant Manager, National Chung-Shan Institute of Science & Technology Technical Assistant Manager, Taiwan Semiconductor Manufacturing Company Manager, R&D Department, Ali Corporation	Senior Vice President of R&D of the Company Chairman, Aegis Link Corp. (United States)	—	—	—	—
Independent Director	Republic of China	Chih-Hung Wen	Male	2019.05.24	3 years	2010.12.10	—	—	—	—	—	—	—	—	PhD in Electrical Engineering, National Taiwan University Professor, Department of Electrical Engineering and Department of Communications Engineering, National Chung Hsing University Executive Committee Member, Academia-Industry Consortium for South Taiwan Science Park	Note 1	—	—	—	—

Title	Nationality/place of registration	Name	Gender	Date elected (appointed)	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees arrangement		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors or supervisors who are spouses or within the second degree of kinship			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
Independent Director	Republic of China	Chiang-Lin Chang	Male	2019.05.24	3 years	2016.05.27	—	—	—	—	—	—	—	—	BS in Electrical Engineering, National Chiao Tung University Vice President of Marketing of Northeast Asia and Chief Technology Officer of Taiwan, Alcatel Executive Vice President, Unizyx Holding Corporation President, Mitrastar Technology Corporation	—	—	—	—	—
Independent Director	Republic of China	Chia-Ying Ma	Male	2019.05.24	3 years	2019.05.24	—	—	—	—	—	—	—	—	Professor, Department of Accounting, Soochow University Chief Research Development Officer, Soochow University Chief Secretary, Soochow University Chairperson, Department of Accounting, Soochow University Adjunct Professor, Department of Public Finance, National Chengchi University Adjunct Professor, Department of Computer Science and Information Engineering and Department of Accounting, National Chung Cheng University Adjunct Professor, College of Biological Science and Technology, National Chiao Tung University PhD in Business & Economics, Lehigh University (United States)	Note 2	—	—	—	—

Note 1: Other position concurrently held at the Company or other companies: Concurrent positions in 4 institutions including Professor, Department of Electrical Engineering, Tunghai University; Seventh Term Supervisor, Taiwan Association for Consumer Electronics; Review Committee Member, Communications Engineering, Ministry of Science and Technology; Member of the Faculty Grievance Committee, National Jinan University.

Note 2: Other position concurrently held at the Company or other companies: Concurrent positions in 6 institutions including Professor, Department of Accounting, Soochow University; Director (representative of legal entity), Union Insurance Co. Ltd.; Director, Tatung Fine Chemicals Co.; Independent Director, Medeon Biodesign, Inc.; Independent Director, TSC Auto ID Technology Co., Ltd.; Independent Director, Lida Holdings Limited.

Note 3: The Chairman and President are spouses, and the Company shall appoint additional Independent Directors in the 2022 shareholders' meeting in accordance with laws.

1. Directors:

Apr. 20, 2021

Qualifications	Meets one of the following professional qualification requirements, together with at least five years of work experience			Independence criteria (Note 1)												Number of other public companies where the individual concurrently serves as an independent director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the business of the company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Name																
Dye-Jyun Ma			✓					✓	✓	✓	✓	✓		✓	✓	—
Shih-Chi Wang			✓					✓	✓	✓	✓	✓		✓	✓	—
Wei-Kang Teng			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Ching-Hua Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Chih-Hung Wen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Chiang-Lin Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Chia-Ying Ma	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3

Note 1: Please check “✓” the corresponding boxes if the Directors and Supervisors meet the following conditions during the two years prior to the nomination and during the term of office. ✓

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an Independent Director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (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 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the Company, or a top 5 shareholder, or a director or supervisor representative

appointed by the Company in accordance with paragraph 1 or 2, Article 27 of the Company Act (excluding independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).

- (6) Not a director, supervisor, or employee of a company with a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).
- (7) Not a director (governor), supervisor or employee of other companies or institutions who is the same person or spouse as the chairperson, president or person holding an equivalent position of the Company. (However, this restriction shall not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company (this restriction does not apply to specific companies or institutions if they hold more than 20% but less than 50% of the outstanding shares of the Company or independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).
- (9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past two years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. However, remuneration committee, M&A audit committee members, established in accordance with local securities regulations or mergers & acquisition regulations, are not included.
- (10) Does not have a marital relationship with, or a relative within the second degree of kinship with, any other Director of the Company.
- (11) None of the circumstances in the subparagraphs of Article 30 of the Company Act apply.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

2. Board member diversity policy and implementation status:

The Company has established the "Corporate Governance Best Practice Principles" and specifies that the election of the Directors (including Independent Directors) shall be held in accordance with the candidate nomination system in the "Articles of Incorporation". The Company considers the Directors' professional background as well as Directors' diversity when electing Directors (including Independent Directors). The Company has 7 Directors (including 3 Independent Directors) and 1 Director is female. The board members have professional backgrounds in management, science and engineering, and accounting and finance, and they serve as operators in the technology industry and professors in science and engineering or accounting. Board members have diverse backgrounds in industry, academia, and knowledge, and provide professional advice from different perspectives, which can greatly help to improve the Company's operational performance and management efficiency. The diversity of the Board of Directors is as follows:

(1) Board member composition diversity policy:

The Company currently has 7 Directors including 3 Independent Directors. Among the members of the board of directors, 1 Director is female and 3 Directors serve as employees. 1 Independent Director has served for more than 9 years and 1 Independent Director has served for more than 3 years. 2 Directors are between 50 and 59 years of age; 4 Directors are between 60 and 69 years of age; 1 Director is over the age of 70.

(2) Necessary skills of the board members:

Core items of diversity Name of Directors	Gender	Sound business judgments	Accounting and finance	Business management	Knowledge of the industry	Leadership skills	Ability to make policy decisions
Dye-Jyun Ma	Male	✓		✓	✓	✓	✓
Shih-Chi Wang	Female	✓		✓	✓	✓	✓
Wei-Kang Teng	Male	✓		✓	✓	✓	✓
Ching-Hua Wang	Male	✓		✓	✓	✓	✓
Chih-Hung Wen	Male				✓	✓	✓
Chiang-Lin Chang	Male	✓		✓	✓	✓	✓
Chia-Ying Ma	Male		✓		✓	✓	✓

(II) President, Vice Presidents, Associate Managers, and Supervisors of All the Company's Divisions and Branch Units:

Apr. 20, 2021; shareholding information as of March 29, 2021; unit: shares, %

Title	Nationality	Name	Gender	Date of taking office	Shareholding		Spouse & minor shareholding		Shareholding by nominees arrangement		Experience (education)	Other position concurrently held at the Company or other companies	Managers who are spouses or within the second degree of kinship			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
Chairman of the Board	Taiwan	Dye-Jyun Ma	Male	2010.06.04	1,943,243	3.08%	2,576,255	4.08%	—	—	PhD in Electrical Engineering, University of Maryland (United States) Professor and Dean, Department of Electrical Engineering, National Chung Hsing University Vice President, Richtek Technology Corp.	Director, Minerva Technology Co. (Belize) Director, Aegis Link Corp. (United States)	President	Shih-Chi Wang	Spouse	Note 3
President	Taiwan	Shih-Chi Wang	Female	2004.03.01	2,576,255	4.08%	1,943,243	3.08%	—	—	PhD in Electrical Engineering, University of Maryland (United States) Associate Professor, Department of Electrical Engineering, Feng Chia University Director, Electronic Technology Research and Development Department, Winbond Electronics Corporation Senior Project Manager, Taiwan Semiconductor Manufacturing Company Assistant Vice President, Ali Corporation	None	Chairman of the Board	Dye-Jyun Ma	Spouse	Note 3
Senior Executive Vice President of R&D	Taiwan	Wei-Kang Teng	Male	2004.03.01	419,578	0.66%	90	0.00%	—	—	PhD in Electrical Engineering, National Taiwan University Technical Assistant Manager, National Chung-Shan Institute of Science & Technology Technical Assistant Manager, Taiwan Semiconductor Manufacturing Company Manager, R&D Department, Ali Corporation	Chairman, Aegis Link Corp. (United States)	None	None	None	—
Senior Executive Vice President of R&D	United States	Hui-Ching Chien	Male	2012.08.13	—	—	N/A	N/A	N/A	N/A	PhD in Electrical Engineering, University of Maryland (United States) Manager, Honeywell Director, Cypress Semiconductor Corporation Director, VIA Labs, Inc. Chief Technology Officer, Maxrise Technology Co., Ltd. President, Prominent Comm.	None	None	None	None	Note 4
Vice President	Taiwan	Tzu-Hsiang Liu	Male	2004.03.01	401,507	0.64%	10,944	0.02%	—	—	PhD in Electronics Engineering, National Chiao Tung University Section Chief, Electronic and Optoelectronic System Research Laboratories, Industrial Technology Research Institute Technical Assistant Manager, Taiwan Semiconductor Manufacturing Company Manager, R&D Department, Ali Corporation	None	None	None	None	—
Vice President	Taiwan	Chuan-Chen Chao	Female	2004.03.08	544,006	0.86%	—	—	—	—	PhD in Electronics Engineering, National Chiao Tung University Manager, Winbond Electronics Corp. Chief Engineer, Taiwan Semiconductor Manufacturing Company	None	None	None	None	—
Senior Assistant Vice President	Taiwan	Mei-Hui Lin	Female	2008.10.16	11,594	0.02%	—	—	—	—	Department of English, Wenzao Ursuline University of Languages Manager, Siliconix Electronic Co., Ltd. Vice President, Hanlin (Taiwan) Electronics Co., Ltd. Vice President, Magnesensor Technology	None	None	None	None	—
Vice President of R&D	Taiwan	Hsiang-Feng Chi	Male	2015.11.09	108,600	0.17%	—	—	—	—	PhD in Electrical Engineering, University of California (United States) Senior Manager of Firmware Design, Synaptics Hong Kong Limited Director of DSP Design Department, Airoha Technology Corp. Director of Wireless Communication Design, ASMedia Technology Inc. Senior Manager/VLSI Design Structure Specialist, Afatech Assistant Professor, National Chiao Tung University IC Structure Specialist, GlobalspanVirata	None	None	None	None	—

Title	Nationality	Name	Gender	Date of taking office	Shareholding		Spouse & minor shareholding		Shareholding by nominees arrangement		Experience (education)	Other position concurrently held at the Company or other companies	Managers who are spouses or within the second degree of kinship			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
Finance and Accounting Manager	Taiwan	Shih-Chieh Chang	Male	2013.01.31	N/A	N/A	N/A	N/A	N/A	N/A	Department of Accounting, Fu-Jen Catholic University International Certified Internal Auditor Internal Auditor, Episil Technologies Inc. Finance and Accounting Manager, Syntronix Corporation Finance and Accounting Director, Yang Hwa Technology Corporation	None	None	None	None	Note 5
Vice President of R&D	Taiwan	Chi-Fu Liang	Male	2020.06.01	—	—	—	—	—	—	PhD in Electrical Engineering, University of Maryland Consultant, ASE Technology Holding Chief Communication Technology Officer, Jiangsu Pivotone Communication Technologies Incorporated FBAR Designer, Avago, San Jose, USA Technology Director, BenQ Corporation	None	None	None	None	—
Vice President and Chief Financial Officer	Taiwan	Wei-Che Hsu	Male	2020.05.18	—	—	—	—	—	—	Accounting Department, Feng Chia University Chief Financial Officer, Kayee-KY Financial Consultant, Sunplus Technology Co., Ltd. Deputy Director, Investment Administration Division, Giantplus Technology Co., Ltd. Deputy Manager, Underwriting Department, Grand Cathay Securities Corporation Auditor, Synmax Biochemical Co., Ltd.	None	None	None	None	—
Chief Auditor	Taiwan	Pei-Chen Ho	Female	2013.07.15	—	—	—	—	—	—	Department of Industrial Design, Chaoyang University of Technology ISO lead auditor Quality Assurance Engineer, Syntronix Corporation Chief Auditor, Yang Hwa Technology Corporation	None	None	None	None	—

Note 1: The shareholding information described above does not include retained decision-making trust shares.

Note 2: Management is defined the same as the interpretation provided in the Ministry of Finance letter Tai-Cai-Zheng-San-Zi No. 0920001301 and includes the president, vice president, assistant vice president, chief financial officer and chief accounting officer (or equivalent officers).

Note 3: The Chairman and President are spouses, and the Company shall appoint additional Independent Directors in the 2022 shareholders' meeting in accordance with laws.

Note 4: Mr. Hui-Ching Chien restired on Feb. 5, 2021.

Note 5: Mr. Shih-Chieh Chang's position was adjusted on May 18, 2020.

III Remuneration Paid During the Most Recent Fiscal Year to Directors, Independent Directors, Supervisors, President, and Vice Presidents

1. Remuneration to Directors and Independent Directors:

Remuneration information as of 2020; Unit: NT\$ thousands, thousand shares																						
Title	Name	Directors' remuneration								Ratio of total remuneration (A+B+C+D) to net income (%)		Relevant remuneration received by Directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income		Compensation paid to Directors from an investee company other than the Company's subsidiaries or parent company
		Base Compensation (A)		Severance pay and pension (B)		Directors' compensation (C)		Business execution expenses (D)				Salary, bonuses, and allowances (E) (Note 1)		Severance pay and pension (F)		Employee compensation (G)						
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Director	Dye-Jyun Ma	—	—	—	—	1,596	1,596	21	21	0.19%	0.19%	2,532	2,532	108	108	4,000	—	4,000	—	0.95%	0.95%	None
	Shih-Chi Wang	—	—	—	—	1,596	1,596	21	21	0.19%	0.19%	2,715	2,715	108	108	8,500	—	8,500	—	1.49%	1.49%	
	Wei-Kang Teng	—	—	—	—	1,597	1,597	21	21	0.19%	0.19%	2,285	2,285	108	108	1,000	—	1,000	—	0.58%	0.58%	
	Ching-Hua Wang	—	—	—	—	1,597	1,597	18	18	0.19%	0.19%	—	—	—	—	—	—	—	—	0.19%	0.19%	
Independent Director	Chih-Hung Wen	—	—	—	—	1,597	1,597	21	21	0.19%	0.19%	—	—	—	—	—	—	—	—	0.19%	0.19%	None
	Chiang-Lin Chang	—	—	—	—	1,597	1,597	21	21	0.19%	0.19%	—	—	—	—	—	—	—	—	0.19%	0.19%	
	Chia-Ying Ma	—	—	—	—	1,597	1,597	18	18	0.19%	0.19%	—	—	—	—	—	—	—	—	0.19%	0.19%	
<p>1. Please describe the policy, system, standards and structure of the compensation of the Independent Directors and explain the relevance of the amount of remuneration paid to them based on factors such as responsibility, risk and time commitment: The remuneration paid by the Company to Directors (including Independent Directors) is determined in accordance with the regulations in the Articles of Incorporation and is capped at 1% of the annual profits. However, when the Company still has accumulated loss, a certain amount of the earnings shall be retained for making up the loss and the remainder may be set aside as compensation for Directors. Article 21 of the Articles of Incorporation also states that the amount of compensation received by directors shall be determined by the Board of Directors according to the contribution of the individual and extent of involvement in the Company's operations, taking into account the prevailing rates in the domestic and international industry. In addition to the Company's operating performance, future risks, development strategies, and industry trends, the Remuneration Committee also regularly reviews remuneration policies, systems, standards, and structures. The Company will review the remuneration distribution policy from time to time based on the overall environment and the Company's business strategies to ensure both sustainability and the interests of stakeholders.</p> <p>2. Except as otherwise disclosed herein, the directors of the Company have not received other remunerations for providing services (in a non-employee capacity, such as an advisor) to any of the companies in the consolidated financial statements within the fiscal year: None.</p>																						

Note 1: It means the salary, duty allowance, severance pay, bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car received by the Directors who acted as employees concurrently (including President, Vice Presidents, managers, and employees) in the most recent fiscal year.

Range of remuneration

Range of remuneration paid to directors	Names of directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated financial statements H	The Company	All companies in the consolidated financial statements I
Less than NT\$1,000,000	Dye-Jyun Ma, Shih-Chi Wang, Wei-Kang Teng, Ching-Hua Wang, Chih-Hung Wen, Chiang-Lin Chang, Chia-Ying Ma	Dye-Jyun Ma, Shih-Chi Wang, Wei-Kang Teng, Ching-Hua Wang, Chih-Hung Wen, Chiang-Lin Chang, Chia-Ying Ma	Ching-Hua Wang, Chih-Hung Wen, Chiang-Lin Chang, Chia-Ying Ma	Ching-Hua Wang, Chih-Hung Wen, Chiang-Lin Chang, Chia-Ying Ma
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	-	-	-	-
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	-	-	-	-
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	-	Wei-Kang Teng, Dye-Jyun Ma	Wei-Kang Teng, Dye-Jyun Ma
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	-	Shih-Chi Wang	Shih-Chi Wang
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-	-	-
Higher than NT\$100,000,000	-	-	-	-
Total	7 individuals	7 individuals	7 individuals	7 individuals

2. Remuneration to supervisors

The Company established the Audit Committee to replace supervisors on May 24, 2019 in accordance with laws.

3. Remuneration to the President and Vice Presidents

Remuneration information as of December 31, 2020; Unit: NT\$ thousands

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and special allowances (C)		Employees' compensation from profit sharing (D)				Ratio of total remuneration (A+B+C+D) to net income (%)		Compensation paid to Directors from an investee company other than the Company's subsidiaries or parent company
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chairman of the Board	Dye-Jyun Ma	21,077	21,077	886	886	3,749	3,749	17,700	—	17,700	—	5.01%	5.01%	None
President	Shih-Chi Wang													
Senior Executive Vice President	Wei-Kang Teng													
Vice President	Hui-Ching Chien (Note 1)													
Vice President	Hsiang-Feng Chi													
Vice President	Tzu-Hsiang Liu													
Vice President	Chuan-Chen Chao													
Vice President	Chi-Fu Liang													
Vice President and Chief Financial Officer	Wei-Che Hsu													

Note 1: Mr. Hui-Ching Chien retired on Feb. 5, 2021.
Note 2: The 2020 employee remuneration was passed in a resolution of the Board of Directors.

Range of remuneration

Range of remuneration paid to the President and Vice Presidents	Name of President and Vice Presidents	
	Total of (A+B+C+D)	
	The Company	All companies in the consolidated financial statements E
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Wei-Che Hsu	Wei-Che Hsu
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	Chi-Fu Liang, Hui-Ching Chien	Chi-Fu Liang, Hui-Ching Chien
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Wei-Kang Teng, Hsiang-Feng Chi, Chuan-Chen Chao	Wei-Kang Teng, Hsiang-Feng Chi, Chuan-Chen Chao
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Dye-Jyun Ma, Tzu-Hsiang Liu	Dye-Jyun Ma, Tzu-Hsiang Liu
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	Shih-Chi Wang	Shih-Chi Wang
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-
Higher than NT\$100,000,000	-	-
Total	9 individuals	9 individuals

4. Name of managers to which employees' compensation is distributed and the status of distribution:

Unit: NT\$ thousands

	Title	Name	Stock	Cash	Total	Ratio of total amount to net income (%)
Manager	Chairman of the Board	Dye-Jyun Ma	None	17,900	17,900	2.07%
	President	Shih-Chi Wang				
	Senior Executive Vice President	Wei-Kang Teng				
	Vice President	Hui-Ching Chien (Note 1)				
	Vice President	Hsiang-Feng Chi				
	Vice President	Tzu-Hsiang Liu				
	Vice President	Chuan-Chen Chao				
	Vice President	Chi-Fu Liang				
	Vice President and Chief Financial Officer	Wei-Che Hsu				
	Senior Assistant Vice President	Mei-Hui Lin				

Note 1: Mr. Hui-Ching Chien retired on Feb. 5, 2021.

Note 2: Mr. Shih-Chieh Chang's position was adjusted on May 18, 2020.

Note 3: The 2020 employee remuneration was passed in a resolution of the Board of Directors

(IV) Separate Comparisons and Descriptions of Total Remuneration, as a Percentage of Net Income Stated in the Parent Company-only Financial Reports or Individual Financial Reports, as Paid by the Company and All Other Companies Included in the Consolidated Financial Statements During the Past Two Fiscal Years to Directors, Supervisors, the President, and Vice Presidents, with Analysis and Description of Remuneration Policies, Standards, and Packages, Procedure for Determining Remuneration, and Linkage Thereof to Operating Performance and Future Risk Exposure:

1. The total remuneration as a percentage of net income paid by the Company and by all consolidated entities for the most recent 2 fiscal years to each of the Company's Directors, Supervisors, President, and Vice Presidents:

Title	2020		2019	
	The total remuneration as a percentage of net income paid to each of the Company's Directors, Supervisors, President, and Vice Presidents (%)		The total remuneration as a percentage of net income paid to each of the Company's Directors, Supervisors, President, and Vice Presidents (%)	
	Parent company only	Consolidated	Parent company only	Consolidated
Directors	1.33%	1.33%	1.37%	1.37%
Supervisors (Note 1)	—	—	0.15%	0.15%
President and Vice Presidents	5.01%	5.01%	15.72%	15.72%

Note 1: The Company established the Audit Committee to replace supervisors on May 24, 2019 in accordance with laws.

2. Remuneration policies, standards, and packages, procedure for determining remuneration to Directors, Supervisors, President and Vice Presidents, and linkage thereof to operating performance and future risk exposure:

A. Directors: The compensation for Directors refers to compensation distributed from earnings in accordance with Article 24 and 25 of the Company's Articles of Incorporation. No more than 1% of the profits shall be distributed as compensation for Directors which shall be distributed based on their involvement in the Company's business activities and the value of their contribution. If the Company has any net profit in the final accounts, the amount shall first be used to make up for deficits, allocation for statutory reserve or special reserve, distribution of dividends for special shares, and distribution of employees' compensation. The Board of Directors shall then consider the environment in the industry and the Company's capital requirements and formulate a plan for the distribution of earnings including compensation to Directors, and obtain the approval of the shareholders' meeting before distribution.

B. President and Vice Presidents: The compensation paid to the President and Vice Presidents includes salaries, incentive pay and employees' bonuses, and shall be determined based on their positions, responsibilities, and contribution to the Company as well as the prevailing rates in the industry.

C. Remuneration policies, standards, and packages, procedure for determining remuneration to Directors, Supervisors, President and Vice Presidents, and business performance are established based on prevailing rates in the industry. They are

recommended by the Remuneration Committee and presented to the Board of Directors for passage.

IV. Implementation of Corporate Governance

(I) Operations of the Board of Directors

1. 6 meetings of the Board of Directors were held in the most recent year. The attendance of Directors was as follows:

Title	Name	Attendance in person	By Proxy	Attendance rate (%)	Note
Chairman	Dye-Jyun Ma	6	0	100 %	None
Director	Shih-Chi Wang	6	0	100 %	None
Director	Wei-Kang Teng	6	0	100%	None
Director	Ching-Hua Wang	5	0	83 %	None
Independent Director	Chih-Hung Wen	6	0	100 %	None
Independent Director	Chiang-Lin Chang	6	0	100 %	None
Independent Director	Chia-Ying Ma	5	1	83 %	None

Other matters:

I. With regard to the implementation of the Board of Directors, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all independent directors' opinions and the Company's handling of such opinions shall be specified:

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

Date	Proposals		Opinions of all Independent Directors and the Company's handling of opinions of Independent Directors
Feb. 27, 2020	1	The 2019 business report and financial statements.	Approved by all Independent Directors
	2	The 2019 earnings distribution proposal.	
	3	The 2019 "Statement of Internal Control System".	
	4	Amendment of the Company's "Internal Control System" and "Financial Statement Preparation Process Management Regulations".	
	5	The Company's appointment of the CPA for 2020.	
	6	The Company's conversion of employee stock option to ordinary shares in 2016.	
Apr. 30, 2020	1	The Company's evaluation of the independence of the CPA.	
	2	Added the operations of the Company's "Internal Control System - Management of the Operations of the Audit Committee."	
	3	Certain articles of the Company's "Corporate Governance Best Practice Principles"	
	4	The Company's conversion of employee stock option to ordinary shares in 2016	
Jun. 18, 2020	1	Changes in company personnel - financial and accounting officer and R&D officer.	
Jul. 30, 2020	1	The Company's 2019 Q2 financial statements.	
	2	The Company's conversion of employee stock option to ordinary shares in 2016	
Oct. 29, 2020	1	The Company passed the first employee stock option and subscription regulations for 2020.	
	2	The Company passed the investment and establishment of a subsidiary.	
Dec. 28, 2020	1	The Company's 2021 "Internal Audit Plan".	

(II) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above:

II. Regarding recusals of directors from voting due to conflicts of interests, the names of the directors, contents of motions, reasons for recusal, and results of voting shall be specified: The Company's Directors recused themselves from proposals involving conflicts of interest.

III. The company listed on TWSE/TPEX shall disclose the evaluation cycle and duration, scope of evaluation, methodology, and evaluation contents of the self (or peer) evaluation of the Board of Directors. Refer to 2. Board of Directors evaluation status for details.

IV. Measures undertaken during the current year and past year in order to strengthen the functions of the board of directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation:

(I) The Company has established the "Ethical Corporate Management Best Practice Operating Procedures and Code of Conduct" and uploaded it to the Market Observation Post System and Company's website for reference by stakeholders to implement ethical corporate management.

(II) The Company organizes continuing education of Directors each year to continue to provide them with access to new knowledge and maintain their core value, professional advantages, and skills.

(III) The Company has set up an investors' section on the Company website and uses the Internet to provide investors with information of interest to them.

(IV) The Company established the Audit Committee to replace supervisors on May 24, 2019 to strengthen the performance of the duties of the Board of Directors.

2. Board of Directors evaluation status

Frequency	Period	Scope	Method	Content
Once a year	Jan. 1, 2020 to Dec. 31, 2020	Performance evaluation of the Board of Directors and functional committees.	The performance evaluation is conducted through internal questionnaires and includes the overall operations of Directors and functional committees, participation in board meetings, understanding of the company and awareness of responsibilities, continuing education, etc.	<p>1. Board performance evaluation:</p> <p>(1) Level of participation in Company operations.</p> <p>(2) Improvement of the quality of board decisions.</p> <p>(3) Composition and structure of the Board of Directors.</p> <p>(4) Election and continuing education of the Directors.</p> <p>(5) Internal control</p> <p>2. Board member performance evaluation:</p> <p>(1) Familiarity with the goals and missions of the Company.</p> <p>(2) Awareness of the duties of a Director.</p> <p>(3) Level of participation in Company operations.</p> <p>(4) Management of internal relations and communication.</p> <p>(5) The Director's professionalism and continuing education.</p> <p>(6) Internal control.</p> <p>3. Performance evaluation of functional committees</p> <p>(1) Level of participation in Company operations.</p> <p>(2) Knowledge of the duties of the functional committee.</p> <p>(3) Improvement of the quality of the functional committee's decisions.</p> <p>(4) Functional committee composition and election of</p>

				members. (5) Internal control.
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(II) Operation of the Audit Committee or Supervisors' involvement in the operation of the Board of Directors:

1. Operations of the Audit Committee:

The Audit Committee convened 6 meetings in the most recent year. The attendance of Independent Directors was as follows:

Title	Name	Attendance in person	Attendance rate (%)	Remarks
Independent Director	Chih-Hung Wen	6	100 %	None
Independent Director	Chiang-Lin Chang	6	100 %	None
Independent Director	Chia-Ying Ma	5	83 %	None

Other matters:

I. With regard to the implementation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified:

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Date	Motion		Opinions of all Independent Directors and the Company's handling of opinions of Independent Directors
Feb. 27, 2020	1	The 2019 business report and financial statements.	Approved by all Independent Directors
	2	The 2019 earnings distribution proposal.	
	3	The 2019 "Statement of Internal Control System".	
	4	Amendment of the Company's "Internal Control System" and "Financial Statement Preparation Process Management Regulations".	
	5	The Company's appointment of the CPA for 2020.	
	6	The Company's conversion of employee stock option to ordinary shares in 2016.	
Apr. 30, 2020	1	The Company's evaluation of the independence of the CPA.	
	2	Operations of the Company's "Internal Control System - Management of the Operations of the Audit Committee"	
	3	Certain articles of the Company's "Corporate Governance Best Practice Principles"	
	4	The Company's conversion of employee stock option to ordinary shares in 2016	
Jun. 18, 2020	1	Changes in company personnel - financial and accounting officer and R&D officer.	
Jul. 30, 2020	1	The Company's 2019 Q2 financial statements.	
	2	The Company's conversion of employee stock option to ordinary shares in 2016	
Oct. 29, 2020	1	The Company passed the first employee stock option and subscription regulations for 2020.	
	2	The Company passed the investment and establishment of a subsidiary.	
Dec. 28, 2020	1	The Company's 2021 "Internal Audit Plan".	

(II) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all Directors: None.

II. Regarding recusals of independent directors from voting due to conflicts of interests, the names of the independent directors, contents of motions, reasons for recusal, and results of voting shall be specified: None.

III. Communication between independent directors, internal chief audit officer and CPAs (which should include the important matters, methods, and results regarding the Company's finance and operations):

- (I) The Company's internal audit unit sends the monthly "Audit Report" by mail to each Independent Director for review within the prescribed period. It also attends the quarterly meetings of the Audit Committee for the "Audit Progress Report", which includes explanations of audit operations, audit results, and follow-ups for improvement. If there are questions or instructions, Independent Directors can consult the audit supervisor in the meeting.
- (II) The Company's CPA reports the results of the review or audit of the Company's financial statements, internal control audits, the impact of amendments and announcements of auditing standards on the Company, and other legal requirements. The CPA also communicates with them on whether any adjustment of the financial statements or amendments of laws and regulations affect the presentation of the accounts.
- (III) The audit supervisor may engage in direct communication with the CPA and Independent Directors at any time and the communication channels remain open.

1. The internal audit supervisor regularly reports the implementation status of the audits to the Independent Director in the Audit Committee each quarter. The contents are summarized below:

Date	Report and communication contents	Results
Feb. 27, 2020	1. Report on the implementation status of internal audits for 2019 Q4. 2. Amendment of the Company's "Internal Control System" and "Financial Statement Preparation Process Management Regulations".	1. Fully discussed and acknowledged. 2. Fully discussed and reported to the Board of Directors for resolution.
Apr. 30, 2020	Report on the implementation status of internal audits for 2020 Q1.	The opinion was fully discussed and well acknowledged.
Jul. 30, 2020	Report on the implementation status of internal audits for 2020 Q2.	Fully discussed and acknowledged.
Oct. 29, 2020	Report on the implementation status of internal audits for 2020 Q3.	Fully discussed and acknowledged.
Dec. 28, 2020	The Company's 2021 "Internal Audit Plan"	Fully discussed and acknowledged.

2. The CPA shall report the audit of the financial report to Independent Director at least once every year and explain and discuss the contents and progress of the audit.
The communication is summarized below:

Date	Report and communication contents	Results
Feb. 27, 2020	Report on the results of the audit of the 2019 individual and consolidated financial statements and the audit of the internal control system.	Fully discussed and acknowledged.
Apr. 30, 2020	Audit report for the consolidated financial statements for 2020 Q1.	Fully discussed and acknowledged.
Jul. 30, 2020	Audit report for the consolidated financial statements for 2020 Q2.	Fully discussed and acknowledged.
Oct. 29, 2020	Audit report for the consolidated financial statements for 2020 Q3.	Fully discussed and acknowledged.

2. Participation of Supervisors in the operations of the Board of Directors: The Company established the Audit Committee to replace supervisors on May 24, 2019 in accordance with laws.

(III) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof:

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Does the Company establish and disclose its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Board of Directors of the Company has established the "Corporate Governance Best Practice Principles" on Feb. 8, 2017 in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and announced it on the Company's website (www.richwave.com.tw) under "Investors" - "Corporate Governance".	None
II. Shareholding structure & shareholders' rights (I) Does the Company establish internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigations, and does the Company implement the procedures in accordance with the procedure? (II) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders? (III) Does the Company establish and execute a risk management and firewall system within its affiliated companies? (IV) Does the Company establish internal rules against insiders using undisclosed information to trade with?	✓ ✓ ✓ ✓		(I) The Company has appointed a spokesperson, acting spokesperson, and other dedicated personnel. We also set up an investor email for to process shareholders' recommendations, questions, disputes, and litigation. (II) The Company discloses the list of major shareholders and the ultimate controllers of major shareholders in accordance with regulations and maintains smooth communication channels with major shareholders. (III) The Company has established related mechanisms in the internal control system in accordance with regulations. Business and financial dealings between the Company and an affiliate are treated as dealings with an independent third party, which are processed based on the principles of fairness and reasonableness with established rules to clearly define pricing and payment terms and prevent non-arm's-length transactions. (IV) The Company has established the "Procedures for Handling Material Inside Information" to prevent insiders from engaging in insider trading by mistake and violate laws.	None
III. Composition and responsibilities of the Board of Directors (I) Does the Board develop and implement a diversity policy for the composition of its members? (II) In addition to the legally-required Remuneration Committee and Audit Committee, does the Company voluntarily establish other functional committees? (III) Does the Company establish standards to measure the performance of the Board of Directors and implement such annually? Does the Company submit results of assessments to the Board of directors and use results as the basis for the	✓ ✓ ✓	 ✓ ✓	(I) The Company has 7 Directors including 3 Independent Directors. We include members of the management team, industry experts, finance experts, and venture capital representatives to ensure the implementation of the diversity strategy. (II) The Company has established the Remuneration Committee and the Audit Committee and appointed 3 Independent Directors to serve as committee members. We respect all constructive opinions of the committee members and we currently have no plans to establish other functional committees. (III) The company has established standards to measure the performance of the Board of Directors and evaluates the performance of the Board of Directors every year.	The Company has not established other functional committees.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
salary, remuneration, nomination and reappointment of individual Directors? (IV) Does the Company regularly evaluate the independence of the CPAs?	✓		(IV) The Company appoints CPAs and evaluates the independence of the CPA every year. We also verify that they are not related parties of the Company.	
IV. Does the Company establish a dedicated (or non-dedicated) corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling matters related to Board meetings and shareholders' meetings according to the law, handling company registration and changes to company registration, and producing minutes of the Board meetings and shareholders' meetings)?		✓	The Company has assigned dedicated personnel to process corporate governance affairs.	We have not yet appointed a Corporate Governance Officer and we are currently considering the appointment.
V. Does the Company establish communication channels and build a dedicated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	✓		The Company has set up an email on the Company's website to maintain a smooth communication channel. We also assigned dedicated personnel to respond appropriately to important CSR issues of concern to shareholders, creditors, bondholders, employees, customers, the management, society, or government.	None
VI. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed a professional shareholder service agency to deal with shareholder affairs.	None
VII. Information disclosure (I) Does the Company have a corporate website to disclose both the Company's financial standing and corporate governance status? (II) Does the company have other information disclosure channels (e.g., setting up an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and webcasting investor conferences)? (III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month ahead of schedule before the specified deadline?	✓ ✓ ✓		(I) The Company regularly discloses information on the Company's financial and business conditions and corporate governance status on the website. (II) The Company has established the Investor Relations Department which is responsible for collecting and disclosing related information (including related information for the English website) and has implemented a spokesperson system. (III) The Company has published and reported its annual financial report within two months after the end of a fiscal year, and has published and reported its financial reports for the first, second and third quarters ahead of schedule before the specified deadline.	None

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by directors and supervisors)?	✓		<ol style="list-style-type: none"> 1. The Company implements policies for employee rights and benefits in accordance with relevant laws and regulations. We also established the Employee Welfare Committee to provide various welfare measures. 2. The Company's department supervisors hold meetings from time to time to establish communication channels between the management and employees. The Management Department keeps track of employees' attendance status to provide timely assistance and care in case of emergencies. 3. The Company provides sufficient information on the Market Observation Post System in a timely manner. Investors can express their opinions by telephone, email, or other methods. 4. Each department of the Company implements a clear division of labor and the communication with stakeholders is assigned to related departments which upholds the principles of integrity and fairness to protect the rights of stakeholders. 5. The Directors attend the required training programs from time to time to enhance their professional knowledge. 6. The Company engages in business activities in accordance with its internal control system. The Company also obtains a certain level of collateral from customers to control the Company's risks. 7. The Company has established a certain level of trust with customers in all channels through long-term partnerships, and has therefore implemented sound customer policies. 8. Except for special circumstances, all Directors have attended all meetings of the Board of Directors and fully discussed and communicated with each other. We also record meeting proceedings in accordance with the "Rules of Procedure for Board of Directors Meetings". Where there is a motion in which a Director has a conflict of interest, the Director is required to recuse himself/herself in accordance with regulations. No Director has a conflict of interest with the finance and business operations of the Company. 	None
IX. Please explain the improvements made in accordance with the Corporate Governance Evaluation results released by the Taiwan Stock Exchange's Corporate Governance Center, and provide the priorities and plans for improvement with items yet to be improved: The Company's corporate governance evaluation results were improved compared to the previous year and related announcements in English have been implemented in 2020.				

(IV) Composition, Duties and Operation of the Remuneration Committee:

1. Professional Qualifications and Independence Analysis of Remuneration Committee Members:

Title (Note 1)	Qualifications Name	Meets one of the following professional qualification requirements, together with at least five years of work experience			Independence criteria (Note 3)										Number of other public companies where the individual concurrently serves as a 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 specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the business of the company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Chih-Hung Wen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent Director	Chiang-Lin Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent Director	Chia-Ying Ma	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None

Note 1: Specify "Director", "Independent Director" or "Other" in the title column.

Note 2: Please check “✓” the corresponding boxes if the members meet the following conditions during the two years prior to the nomination and during the term of office.✓

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an Independent Director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (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 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the Company, or a top 5 shareholder, or a director or supervisor representative appointed by the Company in accordance with paragraph 1 or 2, Article 27 of the Company Act (excluding independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).
- (6) Not a director, supervisor, or employee of a company with a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).
- (7) Not a director (governor), supervisor or employee of other companies or institutions who is the same person or spouse as the chairperson, president or person holding an equivalent position of the Company. (However, this restriction shall not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company (this restriction does not apply to specific companies or institutions if they hold more than 20% but less than 50% of the outstanding shares of the Company or independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).
- (9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the

provider in the past two years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. Provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) None of the circumstances in the subparagraphs of Article 30 of the Company Act apply.

2. Operations of the Remuneration Committee:

- (1) The Company's Remuneration Committee consists of 3 members.
- (2) Term of office: May 24, 2019 to May 23, 2022. Four meetings (A) of the Remuneration Committee were convened in the most recent fiscal year (2020) and the qualifications and attendance of the members are as follows:

Title	Name	Number of actual attendance (B)	Number of attendance by proxy	Attendance rate (%) [B/A] (Note)	Remarks
Convener/chair	Chih-Hung Wen	4	0	100%	None
Committee Member	Chiang-Lin Chang	4	0	100%	None
Committee Member	Chia-Ying Ma	4	0	100%	None

Note: The actual attendance rate is calculated using the number of meetings of the Remuneration Committee and the actual attendance during the term of service.

Other matters:

- I . If the Board of Directors refuses to adopt or amend a recommendation of the remuneration committee, the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., if the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified) shall be specified: None.
- II . If there were resolutions of the remuneration committee to which members objected or expressed reservations, and for which there is a record or declaration in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion shall be specified: None.
- III . Discussions and results of resolutions of the Remuneration Committee and the Company's response to the opinions of the members:

Date	Motion	Resolution	The Company's response to the resolutions of the Remuneration Committee
Feb. 27, 2020	Proposal for the distribution of the remuneration to employees and Directors for 2019 Passed the 2019 managerial officer bonus distribution proposal Amendment of the "Remuneration Committee Charter" Passed the proposal for salary adjustments for the Company's managerial officers	Passed by the agreement of all committee members	None
Apr. 30, 2020	Passed the proposal for salary adjustments for managerial officers in 2020	Passed by the agreement of all committee members	None
Jun. 18, 2020	Changes in company personnel	Passed by the agreement of all committee members	None
Oct. 29, 2020	Passed the 2020 special bonus for the managerial officer	Passed by the agreement of all committee members	None

**(V) Implementation of Corporate Social Responsibility and Deviation from the Corporate Social Responsibility Best-Practice Principles
for the TWSE/GTSM Listed Companies and reasons thereof:**

Evaluation item	Implementation status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Description	
* 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?		✓	The Company has not conducted risk evaluations of environmental, social, and corporate governance issues related to the Company's operations and therefore has not yet establish related risk management policies or strategies.	They have not been established and are currently being planned.
II. Has the Company established a dedicated unit or appointed a unit for promoting CSR? Is the unit authorized by the Board of Directors to implement CSR activities at upper management levels? Does the unit report the progress of such activities to the Board of Directors?	✓		The Company's unit responsible for promoting CSR is the Global Affairs Office. The Finance and Accounting Manager is responsible for reporting to the Board of Directors.	None
III. Environmental Issues (I) Does the Company establish environmental management systems proper to its industry's characteristics? (I) Does the Company endeavor to utilize all resources more efficiently and use renewable materials that have low impact on the environment? (III) Does the Company monitor the impacts of climate change on its operations and conduct greenhouse gas inspections and establish strategies for energy conservation and carbon reduction? (IV) Does the Company compile statistics on the greenhouse gas emissions, water consumption, and total weight of waste for the past two years, and correspondingly formulate policies for energy conservation, carbon reduction, greenhouse gas reduction, water use reduction, or other waste management?	✓ ✓ ✓	✓ ✓	(I) The Company meets domestic environmental health and safety laws and regulations in its environmental health and safety activities. (II) The company is committed to making improvements at the source and increasing the usage efficiency of various resources to attain reduction targets for raw materials and waste and reduce impact on the environment. (III) The Company strengthens the promotion and implementation of water and electricity conservation measures, implements waste reduction and classification, and pays close attention to the impact of climate change. The Company will also establish greenhouse gas inventory mechanisms. (IV) The Company has not compiled statistics on the greenhouse gas emissions, water consumption, and total weight of waste for the past two years, or implemented related management policies.	They are currently being planned.
IV. Social Issues (I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I) The Company abides by related labor regulations. The hiring, dismissal, and remuneration of employees are processed in accordance with the Company's internal control systems and management regulations to protect employees' basic rights interests.	None

Evaluation item	Implementation status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Description	
(II) Does the Company establish and implement reasonable employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	✓		(II) The Company has established employee benefits and appropriately reflected the business performance or results in employee compensation.	
(III) Does the Company provide a healthy and safe work environment, and does it organize health and safety training for its employees on a regular basis?	✓		(III) The Company organizes regular health examination for employees every year. We also organize training and awareness campaigns to enhance employees' emergency response capabilities and safety awareness, strengthen their cognitive abilities, and reduce the number of accidents caused by unsafe conduct.	
(IV) Does the Company establish effective career development and training plans for its employees?	✓		(IV) The Assistant Vice President of each unit of the Company is responsible for training the employees of the department. They plan individual training programs, including the training methods and contents, based on actual performance and development potential, and review the effectiveness of the training.	
(V) Does the Company follow relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services, and establish related consumer protection policies and grievance procedures?	✓		(V) The Company follows all relevant environmental protection laws and regulations and requirements in international guidelines for the customer health and safety, customer privacy, and marketing and labeling of our products and services. The Company has assigned dedicated personnel and set up an email to process issues related to consumer complaints and handle consumer complaints in a fair and prompt manner.	
(VI) Does the Company formulate supplier management policies that require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, and labor rights and request them to report on their implementation?	✓		(VI) The Company has established the Quality Assurance Department which conducts audits on suppliers from time to time to evaluate their compliance with relevant regulations on environmental protection, occupational safety and health, and labor rights.	
V. Does the Company prepare corporate social responsibility reports and other reports that disclose non-financial information based on universal international reporting standards or guidelines? Does the company obtain assurance or certification of the aforesaid reports from a third-party accreditation institution?		✓	The Company has not yet compiled a CSR report.	It has not been established and is currently being planned.
VI. If the Company has established corporate social responsibility principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, describe the implementation and any deviations from the Principles: The Company has not yet compiled a CSR report, but will do so in the future based on actual requirements to enhance the disclosure of CSR information.				

Evaluation item	Implementation status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Description	
VII. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices: None.				

(VI) Implementation of ethical corporate management, deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and reasons thereof:

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, and do the board of directors and management work proactively to implement their commitment to those management policies?</p> <p>(II) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(III) Does the Company establish policies to prevent unethical conduct with relevant procedures, guidelines of conduct, punishment for violation, rules of appeal clearly stated in the policies, and implement the policies, and review the aforementioned policies on a regular basis?</p>	✓		<p>(I) The Company's Board of Directors has passed and established the "Ethical Corporate Management Operating Procedures and Code of Conduct". The President's Office is responsible for promoting and executing ethical corporate management and is obligated to report matters to the Board of Directors whenever necessary.</p> <p>(II) The Company has established the "Ethical Corporate Management Operating Procedures and Code of Conduct". The Company regularly reviews potential risks of unethical conduct and uses the "Ethical Corporate Management Operating Procedures and Code of Conduct" to govern such risks and enhance education and training. The Company also established a whistleblower mailbox to improve the Company's ethical corporate management performance.</p> <p>(III) The Company establishes annual audit plans for audit units to implement audits in accordance with the plan. In the event of special conditions, the Company arranges special audits and reviews and amends related systems.</p>	None
<p>II. Fulfillment of Ethical Corporate Management</p> <p>(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?</p> <p>(II) Does the Company establish a unit under the Board of Directors that specializes in promoting ethical corporate management and report the implementation of the ethical corporate management policies and prevention programs against unethical conduct to the Board on a regular basis (at least once every year)?</p> <p>(III) Does the Company establish policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?</p>		<p>✓</p> <p>✓</p> <p>✓</p>	<p>(I) The Company carefully reviews all customers and contractors but has not enacted comprehensive ethics-related clauses in the business contracts.</p> <p>(II) The Audit Office is responsible for the promotion and execution of ethical corporate management. It also reports the implementation status to the Board of Directors at the end of each year.</p> <p>(III) In case of conflicts of interest, the Company's employees can report to department supervisors or report directly to the President's Office.</p>	<p>The Company communicates with employees and implements required measures based on actual needs.</p> <p align="center">None</p>

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
(IV) Does the Company have effective accounting and internal control systems in place to implement business integrity? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or engage CPAs to perform the audits?	✓		(IV) The Company establishes annual audit plans for audit units to implement audits in accordance with the plan. In the event of special conditions, the Company arranges special audits.	
(V) Does the Company regularly hold internal and external educational trainings on ethical corporate management?	✓		(V) The Company regularly hold educational trainings on ethical corporate management including external training for management personnel and internal training for employees.	
III. Operation of the Whistle-blowing System				
(I) Does the Company establish both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party?	✓		(I) The Company has established a reward/whistle-blowing system and assigned the audit supervisor to process reports.	None
(II) Does the Company establish the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	✓		(II) The Company has implemented an audit system and procedures for many years. The Company takes follow-up measures and related confidentiality mechanisms after the investigation.	
(III) Does the Company provide protection to whistleblowers against receiving improper treatment?	✓		(III) The Company provides absolute protection for whistleblowers against improper treatment due to their whistleblowing.	
IV. Enhanced Information Disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	✓		The Company has disclosed the "Ethical Corporate Management Operating Procedures and Code of Conduct" on MOPS and the Company's website (www.richwave.com.tw) under "Investors" - "Corporate Governance".	None
V. If the Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe the implementation and any deviations from the Principles: The Company carefully evaluates all customers and contractors but has not enacted comprehensive contracts. Other matters are implemented in accordance with the Best Practice Principles.				
VI. Other important information to facilitate better understanding of the Company's ethical corporate management: None.				

(VII) If the Company has adopted corporate governance best practice principles or related bylaws, the inquiry method shall be disclosed:

The Company has disclosed the regulations related to corporate governance including the [Corporate Governance Best Practice Principles], [Rules of Procedure for Shareholders' Meetings], [Rules of Procedure for Board of Directors Meetings], [Remuneration Committee Charter], [Audit Committee Charter], [Procedure for the Election of Directors], [Procedures for Handling Material Inside Information], [Ethical Corporate

Management Operating Procedures and Code of Conduct], [Standard Operating Procedure for Processing Directors' Requests], and [ode of Ethical Conduct] on the Company's website under "Investors" - "Corporate Governance".

(VIII) Other Important Information Regarding Corporate Governance: None.

(IX) Status of Internal Control System:

1. Statement of Internal Control System:

RichWave Technology Corporation
Statement of Internal Control System

Date: Feb. 25, 2021

The Company hereby states the results of the self-evaluation of the internal control system for 2020 as follows:

- I. The Company acknowledges that the establishment, implementation and maintenance of an internal control system is the responsibility of the Board of Directors and managers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.
- III. The Company uses the assessment items specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Regulations divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the Regulations.
- IV. The Company has adopted the aforesaid assessment items for the internal control system to determine whether the design and implementation of the internal control system are effective.
- V. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2020, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
- VI. This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment with regard to the above contents will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Board of Directors on Feb., 25, 2021, and out of the 7 Directors in attendance, none objected to it and all consented to the content expressed in this statement.

RichWave Technology Corporation

Chairman of the Board: Dye-Jyun Ma (signature and seal)
President: Shih-Chi Wang (signature and seal)

2. The CPA's review report on the Internal Control System: None.

(X) Penalties imposed upon the Company and its employees in accordance with the law, penalties imposed by the Company upon its employees for the violation of the internal control system policy, principal deficiencies, and improvement status during the most recent fiscal year up to the date of publication of the Annual Report: None.

(XI) Major resolutions of shareholders' meeting and board meetings during the most recent fiscal year up to the date of publication of the Annual Report:

1. Major resolutions of the 2020 general shareholders' meeting and implementation:

Date	Major resolutions and implementation	
May 29, 2020	1	Ratification of the 2019 business report and financial statements.
	Implementation status:	Resolution passed.
	2	Ratification of the earning distribution for 2019.
	Implementation status:	The resolution was passed and has been completed according to the resolution passed by the shareholders' meeting. The record date was set as Aug. 1, 2020 and the cash payment date was set as Aug. 21, 2020. (Cash dividend per share was NT\$1.94)
	3	Amendment of the "Articles of Incorporation"
	Implementation status:	They were passed and disclosed on the Market Observation Post System and the Company's website.
	4	Amendments of "Rules of Procedure for Shareholders' Meetings".
	Implementation status:	They were passed and disclosed on the Market Observation Post System and the Company's website.

2. Important resolutions adopted by the Board of Directors in 2020 and up to the April 20, 2021:

Date	Major resolutions		Article 14-3 of the Securities and Exchange Act	Dissenting opinion or qualified opinion by Independent Directors
6th Meeting of the sixth Board of Directors Feb. 27, 2020	1	Proposal for the distribution of the remuneration to employees and Directors for 2019.	V	—
	2	The 2019 business report and financial statements.	V	—
	3	The 2019 earnings distribution proposal.	V	—
	4	The 2019 managerial officer bonus distribution proposal.	V	—
	5	The 2019 "Statement of Internal Control System".	V	—
	6	Amendment of the Company's "Internal Control System" and "Financial Statement Preparation Process Management Regulations".	V	—
	7	Amendments of "Rules of Procedure for Shareholders' Meetings".	V	—
	8	Amendment of the "Audit Committee Charter".	V	—

Date	Major resolutions		Article 14-3 of the Securities and Exchange Act	Dissenting opinion or qualified opinion by Independent Directors
	9	Amendment of the "Rules of Procedure for Board of Directors Meetings".	V	—
	10	Amendment of the "Remuneration Committee Charter".	V	—
	11	The Company's appointment of the CPA for 2020.	V	—
	12	The Company's conversion of employee stock option to ordinary shares in 2016.	V	—
	13	The proposal for salary adjustments for the Company's managerial officers.	V	—
	14	The proposal to convene the 2019 general shareholdings meeting and related affairs.	V	—
	Opinions of the Independent Directors: None.			
	The Company's response to the opinions of Independent Directors: None.			
	Resolution: Passed by all directors present at the meeting.			
7th Meeting of the sixth Board of Directors Apr. 30, 2020	1	The Company's 2020 Q1 financial statements.	V	—
	2	The Company's evaluation of the independence of the CPA.	V	—
	3	Operations of the Company's "Internal Control System - Management of the Operations of the Audit Committee"	V	—
	4	The proposal for salary adjustments for managerial officers in 2020.	V	—
	5	Amendment of the "Ethical Corporate Management Operating Procedures and Code of Conduct"	V	—
	6	Certain articles of the Company's "Corporate Governance Best Practice Principles"	V	—
	7	The Company's conversion of employee stock option to ordinary shares in 2016	V	—
	Opinions of the Independent Directors: None.			
	The Company's response to the opinions of Independent Directors: None.			
	Resolution: Passed by all directors present at the meeting.			
8th Meeting of the sixth Board of Directors Jun. 18, 2020	1	Amendment of the Company's "Internal Control System"	V	—
	2	Changes in company personnel - financial and accounting officer and R&D officer.	V	—
	3	The Company established the ex-dividend date for the distribution of cash dividends.	V	—
	Opinions of the Independent Directors: None.			
	The Company's response to the opinions of Independent Directors: None.			
9th Meeting of the sixth Board of Directors Jul. 30, 2020	1	The Company's 2020 Q2 financial statements.	V	—
	2	The Company's conversion of employee stock option to ordinary shares in 2016	V	—
	Opinions of the Independent Directors: None.			
	The Company's response to the opinions of Independent Directors: None.			
	Resolution: Passed by all directors present at the meeting.			
10th Meeting of the sixth	1	The Company's 2020 Q3 financial statements.	V	—
	2	The Company passed the first employee stock option and subscription regulations for 2020.	V	—

Date	Major resolutions		Article 14-3 of the Securities and Exchange Act	Dissenting opinion or qualified opinion by Independent Directors
Board of Directors Oct. 29, 2020	3	The Company passed the investment and establishment of a subsidiary.	V	—
	Opinions of the Independent Directors: None.			
	The Company's response to the opinions of Independent Directors: None.			
	Resolution: Passed by all directors present at the meeting.			
11th Meeting of the sixth Board of Directors Dec. 28, 2020	1	The Company's 2021 "Internal Audit Plan".	V	—
	2	The Company's 2021 projected financial statement and budget.	V	—
	Opinions of the Independent Directors: None.			
	The Company's response to the opinions of Independent Directors: None.			
	Resolution: Passed by all directors present at the meeting.			
12th Meeting of the sixth Board of Directors Feb. 25, 2021	1	Proposal for the distribution of the remuneration to employees and Directors for 2020.	V	—
	2	The 2020 business report and financial statements.	V	—
	3	The 2020 earnings distribution proposal.	V	—
	4	Proposal for the issuance of new shares through capitalization of the 2020 earnings.	V	—
	5	The 2020 managerial officer bonus distribution proposal.	V	—
	6	The 2020 "Statement of Internal Control System".	V	—
	7	Amendment of the "Articles of Incorporation"	V	—
	8	Amendments of "Rules of Procedure for Shareholders' Meetings".	V	—
	9	Amendment of the "Audit Committee Charter".	V	—
	10	Amendment of the "Rules of Procedure for Board of Directors Meetings".	V	—
	11	Amendment of the "Remuneration Committee Charter"	V	—
	12	Amendment of the "Regulations Governing the Scope of Duties for Independent Directors".	V	—
	13	Amendment of the "Code of Conduct".	V	—
	14	Amendment of the "Procedure for the Election of Directors".	V	—
	15	The Company's appointment of the CPA for 2021.	V	—
	16	The proposal for salary adjustments for the Company's managerial officers.	V	—
	17	The proposal to convene the 2021 general shareholders meeting and related affairs.	V	—
	Opinions of the Independent Directors: None.			
	The Company's response to the opinions of Independent Directors: None.			
	Resolution: Passed by all directors present at the meeting.			

(XII) Any dissenting opinion expressed by a director or supervisor with respect to a major resolution passed by the Board of Directors during the most recent fiscal year and up to the date of publication of the Annual Report, where said dissenting opinion has been recorded or prepared as a written declaration: None.

(XIII) A summary of resignations and dismissals of the Company's chairperson, president, accounting manager, financial manager, chief internal auditor, or research and development officer during the most recent fiscal year and up to the date of publication of the Annual Report:

Title	Name	Date	Reasons for resignation or dismissal
Finance and Accounting Manager/Chief Financial Officer	Shih-Chieh Chang	May 18, 2020	Job adjustment
Senior Executive Vice President of R&D	Hui-Ching Chien	Feb. 05, 2021	Retirement

V. Information on CPA Professional Fees

CPA firm	Name of CPAs		Audit period	Remarks
Deloitte, Taiwan	Tung-Hui Yeh	Cheng-Chih Lin	Jan. 1, 2020 to Dec. 31, 2020	None

Unit: NT\$ thousands

Category of fees		Audit fee	Non-audit fee	Total
Range of fees				
1	Less than NT\$2,000 thousand	—	780	780
2	NT\$2,000 thousand (inclusive) - NT\$4,000 thousand	3,000	-	3,000
3	NT\$4,000 thousand (inclusive) - NT\$6,000 thousand	-	-	-
4	NT\$6,000 thousand (inclusive) - NT\$8,000 thousand	-	-	-
5	NT\$8,000 thousand (inclusive) - NT\$10,000 thousand	-	-	-
6	More than NT\$10,000,000 (inclusive)	-	-	-

(I) When the Company pays non-audit fees to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: No such occurrences.

CPA firm	Name of CPAs	Audit fee	Non-audit fee (Note)					CPA audit period	Remarks
			System design	Business registration	Human resources	Others	Subtotal		
Deloitte, Taiwan	Tung-Hui Yeh	3,000	-	-	-	780	780	Jan. 1, 2020 to Dec. 31, 2020	None
	Cheng-Chih Lin								

Note: Non-audit fees include the review and certification of the salaries of non-management personnel.

(II) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: Not applicable.

(III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) thereof shall be disclosed: No such occurrences.

(IV) Evaluation of the independence of CPAs: The Company evaluates the independence of CPAs on the following dimensions every year and reports the evaluation results to the Board of Directors.

The 2020 evaluation results met criteria for independence and the evaluation items were as follows:

1. The CPA does not have significant financial interest in the Company.
2. The CPA avoids any inappropriate relationship with the Company.
3. The CPA shall ensure that his/her assistants are honest, fair and independent.
4. The CPA does not and had not served as the Company's director, supervisor, managerial officer, or positions that may have significant impact on the audit in the most recent two years.
5. During the audit period, the CPA, his/her spouses, and dependents did not serve as directors, supervisors or managerial officers of the Company and did not assume positions that may directly and significantly affect the audit during the audit period. If a close relative of the CPA within the fourth degree of kinship serves as a director, supervisor, or managerial officer of the Company or positions that may directly and significantly affect the audit during the audit period, the

- breach of independence must be reduced to an acceptable level.
6. The CPA did not receive gifts or presents of significant value (where their values have not exceeded the general etiquette standards) from the Company or directors, supervisors, or managerial officers of the Company.
 7. The CPA may not permit others to practice under his/her name.
 8. The CPA may not engage in lending and borrowing of money with the Company except for regular transactions in the finance industry.
 9. The CPA may not concurrently engage in other businesses that may lead to loss of independence.
 10. The CPA may not collect any commission related to his/her service.
 11. The CPA may not hold shares in the Company.
 12. The CPA may not hold any concurrent regular position in the Company nor receive any fixed salary.
 13. The CPA may not engage in joint investments or benefit sharing with the Company.
 14. The CPA may not participate in the decision-making process of the Company in a management capacity.

VI. Information on Replacement of CPAs

The Company has changed the CPAs in the past two years and in the subsequent period:

(I) Regarding the former CPAs:

Date of Replacement	May 2, 2019		
Reason for Replacement and Explanation	In accordance with requirements for rotations of CPAs in related regulations, the Company's chief auditor Su-Li Fang, CPA was replaced by Tung-Hui Yeh, CPA starting in 2019. Cheng-Chih Lin, CPA continued to serve as the co-auditor.		
Statement on whether the authorizing party or the CPA terminated or declined the engagement	Counterparty Situation	CPA	The Authorizing Party
	Voluntarily terminated the engagement	N/A	N/A
	CPA declined to accept (continue) the appointment	N/A	N/A

The opinion and reason for issuing an audit report expressing other than an unqualified opinion during the 2 most recent years	N/A	
Different opinions from the issuer	None	Accounting principles or practices
	None	Disclosure of financial statements
	None	Scope or procedure of auditing
	None	Others
Other Disclosures (Matters that should be disclosed in accordance with Item 1-4 to 1-7, Subparagraph 6, Article 10 of the Regulations)	None	

(II) Regarding the succeeding CPAs:

CPA Firm	Deloitte, Taiwan
Name of CPAs	Tung-Hui Yeh, CPA & Cheng-Chih Lin, CPA
Date of Engagement	May 2, 2019
Subjects discussed and the consultation results with the newly engaged CPAs regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the company's financial report prior to the formal engagement	None
Written views from the successor CPAs regarding the matters on which they did not agree with the former CPAs	None

(III) The former CPA's response for Article 10, Subparagraph 6, Item 1 and Item 2-3 of the accounting standards: Not applicable.

VII. Company Chairperson, President, or Any Managerial Officer in Charge of Finance or Accounting Matters in the Most Recent Fiscal Year Holding a Position at the Company's CPA Accounting Firm or at an Affiliated Enterprise of Such Accounting Firm

None.

VIII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests (During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report) by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10 Percent

(I) Transfers of shares and pledged shares by directors, supervisors, managers and major shareholders:

Unit: shares

Title	Name	2020		2021 up to Mar. 29	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman of the Board	Dye-Jyun Ma	50,000	0	(118,000)	0
Director/President	Shih-Chi Wang	50,000	0	0	0
Director/Senior Vice President	Wei-Kang Teng	(5,000)	0	(117,000)	0
Director	Ching-Hua Wang	0	0	0	0
Independent Director	Chih-Hung Wen	0	0	0	0
Independent Director	Chiang-Lin Chang	0	0	0	0
Independent Director	Chia-Ying Ma	0	0	0	0
Senior Vice President	Hui-Ching Chien (Note 1)	(166,550)	0	N/A	N/A
Senior Vice President	Hsiang-Feng Chi	(48,000)	0	(9,000)	0
Senior Vice President	Tzu-Hsiang Liu	9,000	0	(8,000)	0
Senior Vice President	Chuan-Chen Chao	50,000	0	0	0
Senior Vice President	Chi-Fu Liang	0	0	0	
Senior Assistant Vice President	Mei-Hui Lin	0	0	(2,000)	0
Finance and Accounting Manager	Wei-Che Hsu	0	0	0	0
Finance and Accounting Manager	Shih-Chieh Chang (Note 2)	0	0	N/A	N/A

Note 1: Mr. Hui-Ching Chien retired on Feb. 5, 2021.

Note 2: Mr. Shih-Chieh Chang's position was adjusted on May 18, 2020..

(II) Information regarding equity transfer: None.

(III) Information regarding pledging of shares: None.

**IX. Information on the Relationship among the Top Ten Shareholders Who are Identified as Related Parties,
Second-Degree of Kinship**

Name	Shareholding information						
	Personal shareholding		Spouse & minor shareholding		Shares held under nominee accounts		Shareholders with the are related, or their relatives' names and
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)
Shih-Chi Wang	2,576,255	4.08%	1,943,243	3.08%	0	0.00%	Dye-Jyun Ma
New Labor Pension Fund	2,524,000	3.99%	0	0.00%	0	0.00%	None
Morgan Stanley Investment Fund account under the custody of HSBC	2,374,582	3.76%	0	0.00%	0	0.00%	None
Dye-Jyun Ma	1,943,243	3.08%	2,576,255	4.08%	0	0.00%	Shih-Chi Wang
Stichting Depository APG Emerging Markets Equity under the custody of JP Morgan Chase Bank Taipei Branch	1,879,000	2.97%	0	0.00%	0	0.00%	None
Swedbank Robur Technology investment account under the custody of Standard Chartered Bank (Taiwan) Ltd.	1,000,000	1.58%	0	0.00%	0	0.00%	None
Old Labor Pension Fund	829,000	1.31%	0	0.00%	0	0.00%	None
Yi-Wen Lin	781,000	1.24%	0	0.00%	0	0.00%	None
British HSBC Bank - IB Asia SBL under the custody of HSBC Bank	778,000	1.23%	0	0.00%	0	0.00%	None
Vanguard Group's Vanguard Emerging Markets Stock Index Fund Investment account under the custody of JP Morgan Chase Bank Taipei Branch	762,000	1.21%	0	0.00%	0	0.00%	None

X. Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, Its Directors and Any Companies Controlled Either Directly or Indirectly by the Company
Not applicable

Chapter IV. Capital Overview

I. Capital and Shares

(I) Sources of capital:

Apr. 20, 2021; Unit: shares; NT\$

Month/year	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Subscriptions paid with property other than cash	Others
2004.01	10	100,000	1,000,000	100,000	1,000,000	Initial capital: NT\$1,000,000.	-	Jian-Fu-Shang No. 09300030410 dated Jan. 7, 2004
2004.03	10	4,000,000	40,000,000	20,000,000	200,000,000	Cash capital increase: NT\$199,000,000	-	Jian-Fu-Shang No. 09307004900 dated Mar. 12, 2004
2005.05	10	4,000,000	40,000,000	26,666,000	266,660,000	Cash capital increase: NT\$66,660,000	-	Jian-Fu-Shang No. 09409199510 dated May 26, 2005
2006.03	10	4,000,000	40,000,000	31,666,000	316,660,000	Cash capital increase: NT\$50,000,000	-	Jian-Fu-Shang No. 09575767410 dated Apr. 20, 2006
2007.11	10	4,000,000	40,000,000	34,666,000	346,660,000	Cash capital increase: NT\$30,000,000	-	Fu-Chan-Ye-Shang No. 09692669010 dated Nov. 30, 2007
2009.03	10	4,000,000	40,000,000	35,341,000	353,410,000	Employees' exercise of share subscription warrants: NT\$6,750,000	-	Fu-Chan-Ye-Shang No. 09882283610 dated Mar. 17, 2009
2009.08	10	4,000,000	40,000,000	35,421,000	354,210,000	Employees' exercise of share subscription warrants: NT\$800,000	-	Fu-Chan-Ye-Shang No. 09886292310 dated Aug. 6, 2009
2010.02	10	4,000,000	40,000,000	36,513,000	365,130,000	Employees' exercise of share subscription warrants: NT\$10,920,000	-	Fu-Chan-Ye-Shang No. 09980422910 dated Feb. 12, 2010
2010.06	10	10,000,000	100,000,000	38,013,000	380,130,000	Cash capital increase: NT\$15,000,000	-	Fu-Chan-Ye-Shang No. 09985153020 dated Jul. 8, 2010
2010.06	10	10,000,000	100,000,000	38,904,436	389,044,360	Capitalization of earnings: NT\$8,914,360	-	Fu-Chan-Ye-Shang No. 09985986910 dated Jul. 28, 2010
2010.06	10	10,000,000	100,000,000	39,000,586	390,005,860	Employee bonus converted to capital increase: NT\$961,500	-	Fu-Chan-Ye-Shang No. 09985986910 dated Jul. 28, 2010
2010.07	10	10,000,000	100,000,000	39,270,586	392,705,860	Employees' exercise of share subscription warrants: NT\$2,700,000	-	Fu-Chan-Ye-Shang No. 09985986910 dated Jul. 28, 2010
2011.04	10	10,000,000	100,000,000	40,275,586	402,755,860	Employees' exercise of share subscription warrants: NT\$10,050,000	-	Fu-Chan-Ye-Shang No. 10082496410 dated Apr. 26, 2011

Month/year	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Subscriptions paid with property other than cash	Others
2011.11	10	10,000,000	100,000,000	40,353,586	403,535,860	Employees' exercise of share subscription warrants: NT\$780,000	-	Fu-Chan-Ye-Shang No. 10088581810 dated Nov. 4, 2011
2012.05	10	10,000,000	100,000,000	40,412,586	404,125,860	Employees' exercise of share subscription warrants: NT\$590,000	-	Fu-Chan-Ye-Shang No. 10183087510 dated May 7, 2012
2012.09	10	10,000,000	100,000,000	40,484,586	404,845,860	Employees' exercise of share subscription warrants: NT\$720,000	-	Fu-Chan-Ye-Shang No. 10187747900 dated Sep. 25, 2012
2013.04	10	10,000,000	100,000,000	40,964,586	409,645,860	Employees' exercise of share subscription warrants: NT\$4,800,000	-	Fu-Chan-Ye-Shang No. 10283031510 dated Apr. 23, 2013
2013.08	10	10,000,000	100,000,000	41,057,586	410,575,860	Employees' exercise of share subscription warrants: NT\$930,000	-	Fu-Chan-Ye-Shang No. 10287288800 dated Aug. 28, 2013
2014.04	10	10,000,000	100,000,000	41,929,586	419,295,860	Employees' exercise of share subscription warrants: NT\$8,720,000	-	Fu-Chan-Ye-Shang No. 10382317110 dated Apr. 2, 2014
2014.08	10	10,000,000	100,000,000	42,430,586	424,305,860	Employees' exercise of share subscription warrants: NT\$5,010,000	-	Fu-Chan-Ye-Shang No. 10387457500 dated Aug. 29, 2014
2015.03	10	10,000,000	100,000,000	43,915,586	439,155,860	Employees' exercise of share subscription warrants: NT\$14,850,000	-	Fu-Chan-Ye-Shang No. 10481552210 dated Mar. 13, 2014
2015.09	10	10,000,000	100,000,000	43,997,586	439,975,860	Employees' exercise of share subscription warrants: NT\$820,000	-	Fu-Chan-Ye-Shang No. 10487420710 dated Sep. 4, 2015
2015.11	10	10,000,000	100,000,000	49,897,586	498,975,860	Cash capital increase: NT\$59,000,000	-	Fu-Chan-Ye-Shang No. 10490807000 dated Dec. 7, 2015
2016.08	10	10,000,000	100,000,000	54,887,344	548,873,440	Capitalization of earnings: NT\$49,897,580	-	Fu-Chan-Ye-Shang No. 10590600400 dated Jul. 27, 2016
2018.10	10	10,000,000	100,000,000	60,376,078	603,760,780	Capitalization of earnings: NT\$54,887,340	-	Jing Shou-Shang No. 10701125770 dated Oct. 08, 2018
2019.08	10	10,000,000	100,000,000	61,403,078	614,030,780	Employees' exercise of share subscription warrants: NT\$10,270,000	-	Jing Shou-Shang No. 10801117260 dated Aug. 21, 2019
2019.11	10	10,000,000	100,000,000	61,878,078	618,780,780	Employees' exercise of share subscription warrants: NT\$4,750,000	-	Jing Shou-Shang No. 10801159610 dated Nov. 13, 2019

Month/year	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Subscriptions paid with property other than cash	Others
2020.03	10	10,000,000	100,000,000	62,143,078	621,430,780	Employees' exercise of share subscription warrants: NT\$2,650,000	-	Jing Shou-Shang No. 10901040480 dated Mar. 30, 2020 Jing Shou-Shang No. 10901081180 dated May 27, 2020
2020.08	10	10,000,000	100,000,000	63,192,078	631,920,780	Employees' exercise of share subscription warrants: NT\$10,490,000	-	Jing Shou-Shang No. 10901155330 dated Aug. 24, 2020

March 29, 2021; unit: shares

Shareholding Category	Authorized capital		
	Issued shares	Unissued shares	Total
Ordinary shares	63,192,078 shares	36,807,922 shares	100,000,000 shares

(II) Shareholder structure:

Shareholding information as of Mar. 29, 2021; unit: shares

Shareholder structure	Government agencies	Financial institutions	Other institutional shareholders	Individuals	Foreign institutions & natural persons	Total
Quantity						
Number of shareholders	4	63	137	19,588	192	19,984
Shareholding (shares)	3,662,000	5,961,377	1,195,740	30,710,562	21,662,399	63,192,078
Percentage (%)	5.80%	9.43%	1.89%	48.60%	34.28%	100.00%

(III) Shareholding distribution status:

1. Ordinary shares:

Shareholding information as of Mar. 29, 2021

Shareholding classification	Number of shareholders	Shareholding (shares)	Percentage (%)
1-999	11,602	444,859	0.70%
1,000-5,000	7,517	11,567,846	18.31%
5,001-10,000	387	3,046,732	4.82%
10,001-15,000	133	1,724,451	2.73%
15,001-20,000	66	1,218,484	1.93%
20,001-30,000	67	1,737,138	2.75%
30,001-40,000	30	1,052,795	1.67%
40,001-50,000	27	1,220,974	1.93%
50,001-100,000	57	4,034,817	6.39%
100,001-200,000	51	7,000,297	11.08%
200,001-400,000	19	4,928,734	7.80%
400,001-600,000	13	6,259,871	9.91%
600,001-800,000	8	5,829,000	9.22%
800,001-1,000,000	2	1,829,000	2.89%
More than 1,000,001	5	11,297,080	17.88%
Total	19,984	63,192,078	100.00%

2. Preferred shares: Not applicable.

(IV) List of major shareholders:

Names, shares and percentage of shareholding of top ten shareholders with more than 5% of equity:

March 29, 2021; Unit: shares

Name of major shareholder	Shareholding (shares)	Percentage (%)
Shih-Chi Wang	2,576,255	4.08%
New Labor Pension Fund	2,524,000	3.99%
Morgan Stanley Investment Fund account under the custody of HSBC	2,374,582	3.76%
Dye-Jyun Ma	1,943,243	3.08%
Stichting Depositary APG Emerging Markets Equity under the custody of JP Morgan Chase Bank Taipei Branch	1,879,000	2.97%
Swedbank Robur Technology investment account under the custody of Standard Chartered Bank (Taiwan) Ltd.	1,000,000	1.58%
Old Labor Pension Fund	829,000	1.31%
Yi-Wen Lin	781,000	1.24%
British HSBC Bank - IB Asia SBL under the custody of HSBC Bank	778,000	1.23%
Vanguard Group's Vanguard Emerging Markets Stock Index Fund Investment account under the custody of JP Morgan Chase Bank Taipei Branch	762,000	1.21%

(V) Share prices for the past two fiscal years, with company net worth per share, earnings per share, dividends per share, and related information

Unit: thousand shares; NT\$ thousands

Item		Year	2019	2020
Market price per share (Note 1)	Highest		255	405
	Lowest		43.05	92.7
	Average		113.89	217.34
Net worth per share (Note 2)	Before distribution		22.09	34.58
	After distribution		20.15	26.58 (Note 3)
Earnings per share	Weighted average shares		61,034	62,656
	Earnings per share	Before adjustment	3.13	13.82
		After adjustment	3.13	13.82 (Note 3)
Dividends per share	Cash dividends		1.94	4 (Note 3)
	Stock dividends	Stock dividends from retained earnings	0	4 (Note 3)
		Stock dividends from capital surplus	0	0
	Accumulated undistributed dividends (Note 4)		0	0
Return on investment	Price/earnings ratio (Note 5)		36.39	15.73
	Price/dividend ratio (Note 6)		58.71	54.34
	Cash dividend yield rate (Note 7)		0.02	0.02

*If retained earnings or capital surplus is used for capital increase, market prices and cash dividends that were retroactively adjusted based on the number of shares after distribution shall be disclosed.

Note 1: Specify the highest market value and the lowest market value of the ordinary shares for each year, and calculate the average market price for each year based on the trading value and turnover for each year.

Note 2: Apply the quantity of shares already issued at the end of the year and specify the status of distribution according to the resolution made by the shareholders' meeting held in the following year.

Note 3: The distribution of earnings for 2020 has been approved by the Board of Directors and will be determined in a resolution of the shareholders' meeting.

Note 4: If the terms of issuance of the equity securities provide that any dividends declared but not paid may be carried forward until the Company has earnings, the amount of accrued unpaid dividends as at the end of such fiscal year shall be disclosed.

Note 5: Price/earnings ratio = average closing price per share for the year/earnings per share.

Note 6: Price/dividend ratio = average closing price per share for the year/cash dividend per share.

Note 7: Cash dividend yield = cash dividends per share/average closing price per share for the current fiscal year.

Note 8: Information reviewed by CPA.

(VI) Company's dividend policy and implementation thereof

1. Dividend policy established in the Articles of Incorporation:

The Company shall use the earnings for year, if any, to pay taxes first and offset accumulated losses. Next, it shall allocate 10% of the remaining balance as legal surplus reserve. However, no additional legal surplus reserve shall be appropriated once it reaches the Company's paid-in capital. Special reserve shall then be appropriated or reversed from the balance pursuant to relevant laws and regulations. The Board of Directors shall draft the proposal for appropriation of earnings based on the remaining balance, if any, combined with accumulated unappropriated earnings and submit it to the shareholders' meeting for resolution on bonus to shareholders.

The Company has adopted a prudent and balanced dividend policy. We consider factors such as profitability, financial structure, and future development of the Company, and consider the growth of future profitability and capital requirements for the distribution of stock dividends and cash dividends. The percentage of cash dividends distributed shall not be less than 10% of the dividends distributed in the current year.

2. The proposed dividend distribution of shareholders' meeting this year:

Dividends per share		Unit: shares; NT\$ thousands
Year		Proposal for the 2021 general shareholders meeting
Cash dividends	Earnings distribution	4
Stock dividends	Earnings distribution	4

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting

The Company did not disclose its 2021 financial forecast and this item is therefore not applicable.

(VIII) Compensation of employees and directors

1. The percentages or ranges with respect to employee and director compensation, as set forth in the Company's Articles of Incorporation

The Company shall appropriate no less than 8% of current year profit as employee compensation by cash or shares upon approval of the Board of Directors. Employee compensation may be issued to employees in affiliate companies that meet certain criteria. The Company may appropriate no more than 1% of the above profit as Directors' compensation upon approval of the Board of Directors. The allocation of employees' and Directors' compensation shall be reported to the shareholders' meeting.

However, when the Company still has accumulated loss, a certain amount of the earnings shall be retained for making up the loss and the remainder may be set aside as compensation for employees and Directors.

2. The accounting in the case of deviation from the basis for stating employees bonus and remuneration to directors, the basis for calculating the quantity of stock dividends to be allocated, and the actual allocation:

The Company calculates the distributable compensation for employees and directors in accordance with the Company Act and the Articles of Incorporation and Ji-Mi No. 052 Interpretation (2007) of the Accounting Research and Development Foundation's (ARDF). The Company prepares estimates in the interim and annual financial statements, and includes the employees' and directors' compensation as an appropriate accounting items under operating expenses based on the nature of the employees' and directors' remuneration. If there is a discrepancy between the amount for distribution approved at the shareholders' meeting and the amount estimated in financial statements, it is considered as a change of estimate and is listed as profit or loss for the current

period.

3. Information about allocation of bonus resolved by the Directors' Meeting:

- (1) Compensation for employees and Directors shall be distributed in the form of cash or shares. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

Distribution item	Distribution amount approved by the Board of Directors (A)	Estimated amount recognized as annual expenses (B)	Difference (A) - (B)	Unit: NT\$	
				Cause	Implementation status
Employee compensation	89,416,019	89,416,019	-	None	None
Director compensation	11,177,002	11,177,002	-	None	None

- (2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the individual financial reports for the current period and total employee compensation: The Company's Board of Directors resolved in the meeting on Feb. 25, 2021 to distribute employee compensation totaling NT\$89,416 thousand. The distribution shall be completed entirely in cash and this percentage is therefore not applicable.

4. The actual distribution of employee, director, and supervisor compensation from earnings of the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee or director compensation, additionally the discrepancy, cause, and how it is treated:

The distribution plan proposed and passed in the board meeting and shareholders' meeting in 2020 was the same as actual conditions. The resolution and distribution conditions are as follows:

Board meeting resolution date		2020.02.27
Shareholders' meeting resolution date		2020.05.29
Item		Resolutions and implementation
Cash dividends for shareholders	Distribution of earnings (cash dividend of NT\$1.94 per share)	NT\$120,185,091
Employee compensation	Total amount (NT\$)	NT\$21,428,157
Director compensation (NT\$)		NT\$2,678,519

(IX) Share repurchases: None.

II. Corporate Bonds

None.

III. Preferred Shares

None.

IV. Global Depositary Receipts (GDR)

None.

V. Employee Stock Options

(I) Employee stock options:

1. Status of outstanding employee stock options and impact on shareholders' equity:

Shareholding information as of Apr. 20, 2021

Type of employee stock options	The fourth time (period)
	Employee stock options
Announced effective date	2020.12.01
Issuance date	—
Warrant exercise period	5 years
Ratio of issued subscriptions on the total number of shares issued	1.58%
Issues distributed	1,000
Exercise method	Issuance of new shares
Duration and ratio of restricted shares (%)	50% after two years 75% after three years 100% after four years
Number of shares exercised (thousand shares)	—
Monetary values of share subscriptions exercised (NT\$ thousand)	—
Number of shares not yet executed (thousand shares)	—
Number of units recovered by the Company for avoidance (thousand shares)	—
Subscription price per share for individuals with share options	—
Units unexercised to total outstanding shares (%)	—
Impact on shareholders' equity	The Company attracts and retains the professional talents required by the Company, and enhances the Company's coherence and sense of belonging among employees, jointly creating the interests of the company and shareholders, and has a positive impact on shareholders' equity.

2. Names of managerial officers receiving employee stock options and names of top ten employees receiving employee stock options, their exercise and subscription:

Apr. 20, 2021

	Title	Name	Stock subscription s obtained (thousand shares)	Ratio of share subscription s received on the total shares outstanding (%)	Exercised				Unexercised			
					Share subscription s (thousand shares)	Subscription price (NT\$)	Monetary values of share subscription s (NT\$ thousand)	Ratio of share subscription s on the total shares outstanding (%)	Share subscription s (thousand shares)	Subscription price (NT\$)	Monetary values of share subscription s (NT\$ thousand)	Ratio of share subscription s on the total shares outstanding (%)
Manager	Chairman of the Board	Dye-Jyun Ma	398	0.63	204	56.6	11,546	0.32	60	56.6	3,396	0.09
	President	Shih-Chi Wang										
	Senior Executive Vice President	Wei-Kang Teng										
	Vice President	Hsiang-Feng Chi										
	Vice President	Hui-Ching Chien (Note 1)										
	Vice President	Tzu-Hsiang Liu										
	Vice President	Chuan-Chen Chao										
	Senior Assistant Vice President	Mei-Hui Lin										
	Senior Division Head	Shih-Chieh Chang (Note 2)										
Employees	Chairman of the Board	Dye-Jyun Ma	790	1.27	419	56.6	23,715	0.66	280	56.6	15,848	0.44
	President	Shih-Chi Wang										
	Vice President	Chuan-Chen Chao										
	Chief Manager	Ya-Ling Lin										
	Senior Manager	Yu-Ling Chiu										

Deputy Manager	Chiao-Yun Fan										
Chief Engineer	Chia-Yun Wu (Note 3)										
Senior Manager	Shun-Nan Tai (Note 3)										
Senior Manager	Tien-Tsai Chang										
Senior Division Head	Chih-Sheng Chen										

Note 1: Mr. Hui-Ching Chien retired on Feb. 5, 2021.

Note 2: Mr. Shih-Chieh Chang's position was adjusted on May 18, 2020.

Note 3: Resigned as of the date of publication of the annual report.

(II) Restricted employee shares

- 1. Status of outstanding employee stock options that have not fully met the vesting conditions and the impact on shareholders' equity: Not applicable.**
- 2. The names of the managers and top ten employees who obtained the new restricted employees' right shares, and the acquisition status: Not applicable.**

VI. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies

None.

VII. Implementation of the Company's Capital Allocation Plans

As of the quarter before the publication date of the annual report, the Company has no capital allocation plans that were not completed or capital allocation plans that were completed in the past three years but the expected benefits have not yet materialized.

Chapter V. Operational Highlights

I. Business Activities

(I) Business scope:

1. Primary business activities:

CC01050 Data Storage Media Units Manufacturing
 CC01070 Telecommunication Equipment and Apparatus Manufacturing
 CC01080 Electronic Parts and Components Manufacturing
 E605010 Computing Equipment Installation Construction
 E701010 Communication Engineering Services
 F118010 Information Software Wholesaler
 F119010 Electronic Material Wholesaler
 IZ99990 Other Industry and Commerce Services Not Elsewhere Classified (Integrated Circuit Testing Services)
 F218010 Retail Sale of Computer Software
 ZZ99999 All business not prohibited or restricted by law, except for those subject to special approval

F401010 International trade
 F601010 Intellectual Property
 I301010 Software Design Services
 I301020 Data Processing Services
 I301030 Digital Information Supply Services
 I501010 Product Design Services

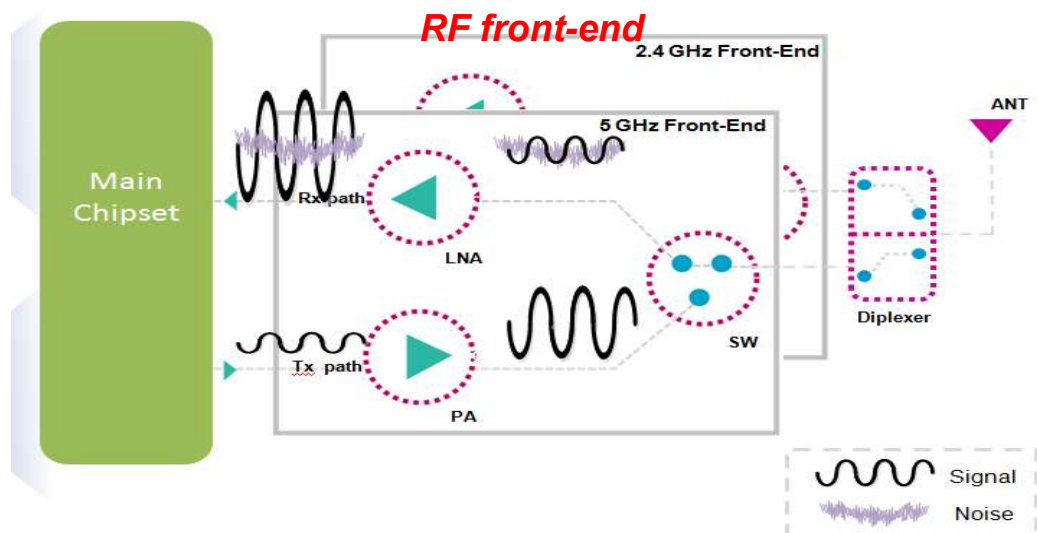
2. Percentage of revenue:

Unit: NT\$ thousands; %

Main product categories	2019		2020	
	Amount	Percentage	Amount	Percentage
Wi-Fi	2,446,857	88.99	4,963,566	92.77
FM tuner	185,767	6.76	185,650	3.47
Wireless video/audio	43,389	1.58	119,252	2.23
LTE	72,630	2.64	55,869	1.04
Others	912	0.03	25,863	0.48
Total	2,749,555	100	5,350,200	100.00

Source: Parent company-only financial statement certified by the CPA.

3. Current products and services:



The Company's current products and services mainly include:

A. R&D and sales of RFIC front-end modules (FEMs) for Wi-Fi connectivity solutions including power amplifiers, low noise amplifiers, switches, and integrated FEMs.

▶Power Amplifier (PA) - The main function of a PA is to amplify signals processed by the baseband processor so that the signal can be transmitted.

▶Low Noise Amplifier (LNA) - The main function of an LNA is to amplify the received signal and lower the noise figure in the signal, so that the signal can be used for back-end system.

▶Switch (SW) - The main function of an SW is to control the connection or disconnection of the signal transmission path by charge accumulation or extrusion in the electronic channel driven by the voltage.

▶Front-end module (FEM) - An FEM is a combination of any PA, LNA, or SW.

B. The development and sales of RFIC and system on chip (SOC) for Hz wireless audio and video transmission including RF transceiver and audio and video compression/decompression SOC.2.4G2.4G

C. R&D and sales of RFIC used for LTE femtocell including power amplifiers and switches.3G4G

4. New products under development:

The new products we plan to develop in the future based on market demand include five main categories:

A. RFIC FEMs for WiFi 6/ WiFi 6E and high-power applications

B. RFIC FEMs for mobile phone applications3G4G5G

C. Wireless transceiver chips that support high-definition and high-speed frequency hopping

D. RFIC chips that support IoT Sub-1GHz applications1G

E. SAW and BAW filter chip series

(II) Industry overview:

1. Current state and development of the industry:

The main functions of an RFIC include data transmission and data reception for carriers with different wavelengths (radio waves, soundwaves, electromagnetic waves, etc.). The range of communication of the ICs can be long-distance satellite broadcasting transmission or short-distance communication for wireless mice and Bluetooth systems within just a few centimeters. Therefore, RFIC is used broadly in people's daily lives. RFICs can be classified according to their functions into FEMs (including power amplifiers, low-noise amplifiers, switches, and integrated FEMs) and RF transceivers. Due to the high entry barriers of RFIC technologies, there had been

no RFIC companies in Taiwan and most of the suppliers were major foreign manufacturers. The current advanced RFIC technologies are in the hands of Skyworks, RFMD (RFMD and TriQuint merged to form a new company called Qorvo), and RichWave.

RFIC is widely adopted in wireless communication and RFIC application markets include low-band AM, FM, SW (shortwave) broadcast, DVB TV digital broadcasting, consumer market wireless communication applications with higher frequencies such as GPS, mobile phones, wireless network (WLAN), and Bluetooth systems, as well as satellite reception over 10GHz or other UHF reception systems. The wireless communication RFIC for 3G, 4G, and 5G mobile phone systems and wireless Internet (WLAN) 802.11b/g/a/n/ac used in the consumer market have gained popularity on the market. Mobile phone products are the largest market for RF chips, and RF design technology is also critical for mobile communication applications.

The market for mobile phone products has rapidly evolved from functional mobile phones to smart phones. According to the market research institution (IDC) report, the global smart phone shipment volume will increase by 5.5% from 2020 to 1.37 billion units. The source of the growth stems mainly from the continuous recovery of the demand and the suppliers' promotion of 5G equipment. According to IDC estimates, the compound annual growth rate (CAGR) of the global smart phone market will be 3.6% from 2020 to 2025.

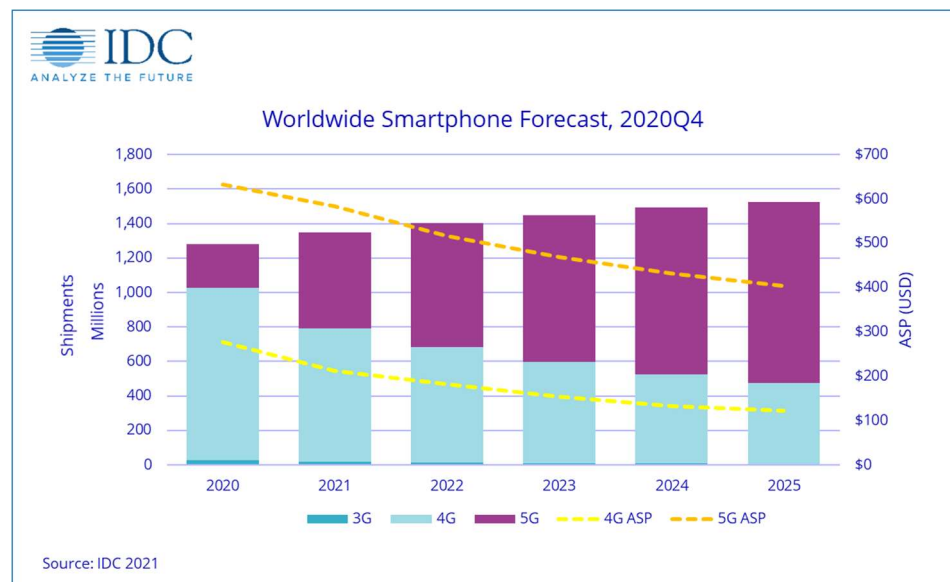


Figure 1: IDC 2021 smart phone shipment forecast

As Wi-Fi enables consumers to enjoy the convenience of wireless Internet access and wireless home living, the penetration rate of consumer electronic devices equipped with Wi-Fi is has increased. The major growth areas of the integrated Wi-Fi market include digital cameras, wireless audio speakers, smart TVs, and digital video recorders. According to IDC's "China's WLAN market quarterly tracking report, the fourth quarter of 2020", the overall WLAN market reached US\$870 million in 2020. Wi-Fi 6 performed well and occupied 31.2% of the overall WLAN market totaling US\$270 million in 2020. The difference between Wi-Fi 6 and product updates in the past is the revolutionary nature of the product. The high-speed, intelligent, and high-concurrency wireless network product is more suitable for the current environment with new technologies such as big data, artificial intelligence, and IoT. Current network requirements involve multiple large-scale data loads and IDC predicts that Wi-Fi 6 market share will continue to expand in 2021.

Powered by the smart phone and Wi-Fi communication industries, the RFIC FEMs market will continue to maintain steady growth. As operators across the world roll out 5G infrastructure and meet basic demand for high-speed data roaming, the mobile phone system infrastructure with multiple bands and multiple modes will soon expand growth for RFIC. The multiple bands and multiple modes of 5G smart phones will soon make the multi-mode multi-band power amplifier (MMPA) and LTE SW modules key components for RFIC FEMs.

The rapid development of the 5G device market is set to power advancements in the value of RFIC FEMs. For 4G mobile phones, the value of RF components such as SAW filter, BAW filter, power amplifier (PA), switches/LTE SW, and Wi-Fi chips will increase as the market shifts to 5G specifications. According to Mobile Experts LLC and TriQuint statistics, the number of regional LTE devices and global roaming LTE devices will double or triple the value of RFIC. The data provided by Skyworks, a major RF component manufacturer, also supports this view. As an example, the cost of RF components in a 2020 iPhone 12 Pro is approximately US\$44.5 which accounted for approximately 8.6% of the total cost. Compared to the cost of RF components used for the non-5G iPhone 11 Pro of US\$33, the cost increased by almost 35% for iPhone 12 Pro, which demonstrated the increased demand for RF components for the 5G iPhone.

RichWave shipped 1.133 billion RFIC FEMs for Wi-Fi applications in 2020 (the average monthly shipment volume was approximately 9.44 million units). The increased market demand for Wi-Fi 6 and the growth of the demand for RFIC in multi-mode multi-band smart phones will continue to power the growth of RichWave's RFIC products and revenue.

2. The relationship between the upstream, midstream and downstream sections of the industry:

The RFIC supply chain consists mainly of the upstream semiconductor plants and IC design companies, midstream IC manufacturers, and downstream IC packaging and testing plants. Whereas most semiconductor plants in Europe and Americas have adopted the IDM model, Taiwan's semiconductor industry has adopted a division of labor system. Major RFIC plants such as Skyworks, RFMD (note) and Anadigics have their own IC production capacity. As process cost continues to rise in recent years, major semiconductor plants in Europe and Americas have given up investments in new and gradually released production, packaging, and testing purchase orders to companies in Taiwan, creating a curious case of both competition and cooperation between them and professional IC manufacturers in Taiwan. Main companies that specialize in RFIC FEMs include Skyworks, RFMD (Note), RichWave, NXP, Anadigics, and RDA Microelectronics. RFIC manufacturers can be divided into two major categories. Silicon wafer manufacturers include Taiwan Semiconductor Manufacturing Company, United Microelectronics Corporation, and Renesas. Compound semiconductors (gallium arsenide) manufacturers include WIN Semiconductors, Advanced Wireless Semiconductor Company, RFMD (Note), Skyworks, and Anadigics. RFIC packaging plants include Lingsen Precision Industries, Ltd., ASE Group, JCET, Carsem, Nanotech Semiconductor, and Amkor. RFIC testing plants include ASE Group, King Yuan Electronics, UTAC (Taiwan), Giga Solution, and Sigurd.

RFIC industry chain

RF design company	RF manufacturing company	RF packaging company	RF testing company
Skyworks, RFMD (Note), Avago, RichWave, Murata, RDA, NXP, Anadigics, Silicon Lab, etc.	Silicon chip manufacturers include Taiwan Semiconductor Manufacturing Company, United Microelectronics Corporation, and IBM; Gallium arsenide chip manufacturers include WIN Semiconductors, Advanced Wireless Semiconductor Company, RFMD, Skyworks, and Anadigics	Lingsen Precision Industries, Ltd., ASE Group, JCET, Carsem, Nanotech Semiconductor, Sigurd, and Amkor	ASE Group, King Yuan Electronics, UTAC (Taiwan), Giga Solution, and Sigurd

Note: RFMD and TriQuint merged to form a new company called Qorvo

3. Product development trends:

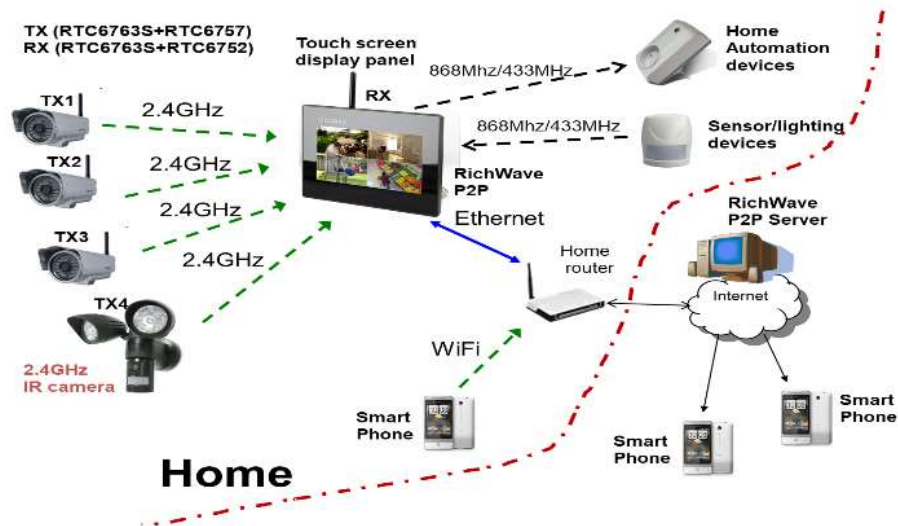
A. RF front-end component:

- a. A mobile phone or wireless network platform equipped with one or more RF devices is referred to as an RF terminal device. RF market development is positively correlated to mobile phone and wireless network market trends.
- b. Diversity antennas are used to improve the reception of wireless terminal devices. However, a single signal antenna is still used for certain terminal devices. With the adoption of MIMO technology, the future RFIC antenna switch market is expected to achieve rapid growth along with the development of 5G/WiFi devices.
- c. As the market share of 5G mobile phones increases, the multi-band multi-mode framework will become the basic structure of smart phones, and the demand for multi-band power amplifiers will continue to grow.
- d. Under intense price competition pressure in wireless terminal products, RF chips are gradually integrated into RF modules to reduce cost and meet process requirements. In terms of the RF process, the mainstream RF process technology in the global market remains gallium arsenide (GaAs) which incurs a higher cost but accounts for approximately 80% of the market. However, to reduce costs, the process has gradually shifted to silicon germanium (SiGe), which accounts for approximately 20%. The industry will continue to move toward lower cost CMOS/SOI processes in the future.

B. Wireless frequency hopping RF transceiver single chip:

Wireless security and surveillance, home automation, and home lighting control in smart home applications with IoT.

RichWave's Hz frequency hopping RF transceiver single chip is mainly used for wireless home security and surveillance, home automation, and home lighting control in smart home applications with IoT, as well as wireless video/audio multimedia transmission. The wireless security and surveillance applications include one-to-one or four-to-one security monitoring and control, wireless video doorbell, wireless automobile reverse view, bi-directional video phone, and caring for young children and the elderly in the family. The wireless video/audio multimedia transmission applications include wireless extension for DVD, wireless extension for digital set-top box, PC to PC, or PC to home family entertainment and gaming. The use of RichWave's RF transceiver chips for wireless home security and surveillance, home automation, and home lighting control in smart home applications with IoT, as well as wireless video/audio multimedia transmission are explained below: 2.4G



Wireless security and surveillance, home automation, and home lighting control in smart home applications with IoT

The built-in Hz frequency hopping RF transceiver chip RTC6763S in cameras (TX1 to TX4) compress the data packages in the image and preamble and cyclic redundancy check (CRC) to the receiving terminal (RX), which uses the RTC6763S to remove the synchronized data and CRS. The data is transmitted to RTC6752 (SOC) to decompress the video feed and restore the video information. The video information on the receiving terminal can be connected to the Ethernet via RichWave's P2P network communication program to obtain the necessary IP addresses on the smart phone for P2P connection and real-time video transmission. 2.4G

The smart phone can be used for real-time home monitoring via Wi-Fi or remote home monitoring and security via 5G networks. The compressed video signals from the TX camera are transmitted wirelessly via RTC6763S to the receiving terminal which disassembles RTC6763S into correct packets. In the event of any errors in the wireless transmission process, RTC6763S will automatically start the resending mechanism to completely restore the image packet data. RTC6763S also has settings for available channels and banned channels and can use the packet error rate (PER) to determine available channels and ensure coexistence with Wi-Fi.

The receiver (RX) also has the built-in Universal Asynchronous Receiver/Transmitter (UART) standard interface that can use the Hz or Hz wireless interface to integrate family automation, sensing components, or lighting control sub-systems. It facilitates smart IoT applications such as smart phone integrated video, audio, sensing, lighting control, and real-time control. 868M433M

4. Product competition:

RichWave's RF chip product development focuses on both RF front-end components and RF transceivers. We design and manufacture key components for various communication systems (Wi-Fi/mobile phone/handheld device/small base station) with germanium silicon, gallium arsenide substrates, and CMOS/SOI as the main RF front-end

components. We created strategic alliances with domestic and international manufacturers of communication system baseband and RF transceiver chips to provide comprehensive solutions. We also work closely with downstream system manufacturers to quickly produce products that meet market demand.

In terms of RF transceivers, RichWave designs and produces frequency hopping wireless communication chips based on 0.18um/0.13um RFCMOS components and independently developed the building blocks necessary for RF transceivers. RichWave transceiver technologies include RF base band, MAC, and system on a chip. We offer customized design services for systems in the niche non-standard market and we quickly and effectively provide customers with comprehensive solutions that meet market requirements from RF, base band, and MAC to system integration.

A. Power amplifier (PA)

The power amplifier is an important RF front-end component used for wireless WiFi, mobile phone communication, and related wireless applications. It has evolved from the early GaAs transistor separation component module to the current MMIC PA SOC. In terms of technical trends, PAs must have competitive advantages in digital control, precision power detection, low power consumption, and prices. Therefore, silicon substrate with high integration potential have gradually gained ground in the market. Although GaAs offers high frequency performance, it cannot match silicon in terms of the cost of materials and the yield rate in mass production. Therefore, RichWave has focused on silicon germanium in PA products since the Company was founded. Although silicon germanium technologies have higher entry barriers in RF applications, RichWave's silicon germanium technology has made it one of the few advanced RF front-end PA developers with capacity for both silicon germanium and gallium arsenide production in the international market.

In addition to continuing to maintain competitive advantages based on the characteristics of these two materials, the Company will continue to develop processes with superior price competitiveness and higher integration (e.g., CMOS PAs).

B. Low-noise amplifier (LNA)

The low-noise amplifier is one of the key components for RF front-end Wi-Fi receivers. RichWave's LNAs developed with silicon germanium technologies are cheaper and product development can be integrated with external compatible components. We use MMIC SOC to provide customers with the most competitive solutions on the market. In response to continuous demand for compact multi-band multi-mode products, RichWave's LNAs are mass-produced for the Wi-Fi market and we also launched GPS LNAs with CMOS technology to provide customers with better choices.

C. Switch (SW)

The switch is a key component for RF front-end antennas. RichWave's Wi-Fi antenna switch offers special electrical attributes such as low loss and high linearity. The current antenna products are produced with pHEMT process technology. With advancements in silicon technologies and system integration, RichWave will also develop SOI switches.

D. LTE SW

RichWave launched LTE SW products for mobile phones in 2014 Q4. They include SP4T, SP8T, and SP10T and the Company will continue to provide front-end antenna modules for mobile phones. 3G4G3G4G

E. Front-end module (FEM)

The FEM is usually a RF front-end module with a substrate as the vessel and integrates components with different functions on the same chip. Although the technology entry barrier is low and market access can be rapid, the high cost and poor yield rate in production make it difficult to attain long-term market share in a market characterized by price competition. RichWave's RF chip design for front-end module products focuses on zero compatibility, zero substrate, and zero RBOM technologies which offers plug-and-use functions without calibration and significantly reduces the cost to increase competitive advantages.

RichWave is a main RF front-end component supplier in the wireless WiFi market and has attained more than 30% of the market share for the Hz and Hz SPDT and SP3T switches. RichWave is also committed to developing SOI switches with high static protection and the current SOI switches is set to become the mainstream component in the Wi-Fi market. 2.4G5.8G

RichWave's RF products such as PA, LNA, SW, and FEM incorporate different types of process technologies including GaAs, SiGe, SOI, CMOS, and IPD. We can adopt different process technologies in response to rapid changes in the market to offer products with the highest performance-cost ratio for the market.

RichWave also continues to provide compatible model numbers for main materials used on the market and provide alternative materials where necessary to maximize our customers' market competitiveness. We also actively work with main chip manufacturers to develop materials for next-generation products. We also provide prompt technical services to help customers win higher market shares and generate profits. The main competitors of RichWave's RF front-end components and strength/weakness analysis are provided below.

The competitiveness comparison and SWOT of RichWave and foreign companies in Wi-Fi RF front-end components is as follows:

Competitiveness comparison of RichWave in Wi-Fi RF front-end components

Company	WiFi SW	WiFi PA	WiFi LNA	WiFi FEM
RichWave (RichWave)	Provides switches with high ESD performance for SOI processes	Provides PA with cost advantages for SiGe processes	Provides LNA with cost advantages for SOI processes	Offers GaAs with cost advantages for SiGe/SOI processes
Skyworks	Mainly offers GaAs processes with poor ESD performance	Mainly offers GaAs processes with higher cost	Mainly offers GaAs processes with higher cost	Mainly offers GaAs/pHEMT processes with higher cost
RFMD (Note)	None	None	None	Mainly offers GaAs/pHEMT processes with higher cost

Note: RFMD and TriQuint merged to form a new company called Qorvo

(III) Overview of technology and R&D:

1. R&D expenditures:

Unit: NT\$ thousands; %

Item	2019	2020
R&D Expenses (A)	399,253	513,922
Net operating revenue (B)	2,749,555	5,350,200
(A)/(B)	15%	10%

2. Technologies and products successfully developed in the past year:

Year	R&D results
2004	1. CMOS Synthesizer + VCO single chip 400-2500MHz
2005	1. SiGe PA for 802.11b/g (used for PC and AP router)
	2. CMOS ISM Band AV transceiver
2006	1. SiGe PA for 802.11b/g pre-n (used for PC, NB, and consumer electronics)
	2. GaAs PA for 802.11b/g pre-n (used for USB, NB, and D)SC
	3. CMOS Cordless phone transceiver
2007	1. PA for (used for TV, NB, and USB)802.11a
	2. Dual band PA for /b/g/n (used for dual-mode PC, TV, NB, and USB)802.11a
	3. CMOS dual band 2.4GHz/5.8GHz AV transceiver
2008	1. Small form factor & low current PA for 802.11b/g/n (used for mobile phone)
	2. CMOS 900MHz AV transceiver
2009	1. SPDT & SP3T T/R switch for /b/g/n (used for mobile phone, NB, and USB)802.11a
	2. MMIC SiGe LNA for 802.11b/g/n (used for NB and consumer electronics)
	3. High power PA for 802.11b/g/n (used for AP router)
	4. RF Front-end module for 802.11b/g/n (used for mobile phone)
	5. FM radio single chip (used for mobile phone and MP3)
2010	1.2.3~2.7GHz WiMAX PA (used for WiMAX, USB, and CPE)
	2. High power PA for /n (used for AP router)802.11a
	3. Zero BOM SiGe & GaAs PA for /n (used for NB, TV, USB)802.11a

Year	R&D results
	4. RF Front-end module for /b/g/n (used for NB, TV, consumer electronics, and USB)802.11a
	5. CMOS Digital AV Transceiver Solution (used for monitoring system)
	6. WiFi Front-end for Cellular System (used for smart phone)
2011	1. Multi-Switch for satellite (used for satellite)
2012	1. LTE Femto PA for all bands (used for small base stations for family use)4G
	2. 3GFemto PA for all bands (used for small base stations for family use)3G
	3. SP10 / SP4T ASM (used for smart phones and Internet cards)3G
	4. 2.4GHz wireless car rear view system (used for wireless rear view system)
	5. 2.4GHz Wireless HDMI System (used for wireless audio and video transmission)
2013	1. RF front-end module for (used for NB, TV, and USB)802.11ac
	2. 4x2 LNB SW (used for satellite receivers)
	3. 2x2 LNB SW (used for satellite receivers)
	4. 4T1R wireless security system with IP feature (used for wireless surveillance system)
	5. SOI SP2T - SP3T high static protection switch
2014	1. SOI SP4T - SP10T high static protection switch for mobile phone
	2. 12GHz LNB down converter (satellite receiver SOC)
	3. High power PA for routers (used for AP router)802.11ac
	4. FEM with wafer level chip scale packaging (WLCSP) (used for mobile phone)
	5. 46/49 Mhz SOC (used for baby monitor)
	6. Mono FM digital receiver without crystal
2015	1. SOI High power 2.4/5GHz dual-band SW for 802.11ac (used for AP router)
	2. SOI High power SOC RX FEM for 802.11ac (used for AP router)
	3. WLCSP CMOS LTE LNA & GPS LNA (used for mobile phone)
	4. High power 5GHz PA for 802.11ac (used for AP router)
	5. FM digital receiver with on wire control
2016	1. Automotive Grade SOI High isolation SW (used for automotive applications)
	2. Multiple on path WiFi SW for AOA application (used for mobile phone)
	3. High power 5GHz FEM for 802.11ac (used for AP router)
	4. SOC WiFi FEM (used for AP router & mobile phone)
2017	1. Antenna Tuning SW (used for mobile phone)
	2. MIPI interface High throw SW (used for mobile phone)
	3. High power 2.4GHz FEM for 802.11ac (used for AP router)
	4. Bypass mode LTE LNA (used for mobile phone)
	5. WLCSP LTE LNA+SW integration (used for mobile phone)
2018	1. 802.11ax FEM (used for AP router and enterprise)
	2. Automotive Grade WiFi FEM for 802.11p (used for automotive applications)
	3. CATV SW (used for cable DOSIS 3.1 and DOSIS 3.0)
	4. Bluetooth FEM (used for BT and IoT)

Year	R&D results
2019	1. Cost-effective SW and LNA (used for LTE mobile phone)
	2. L5 GPS LNA and SAW filter (used for IoT/GPS)
	3. High power 802.11ax FEM (used for AP router)
	4. uW sensor (used for IoT/motion detection)
	5. Duplexer and SAW filter (used for 5G/LTE mobile applications)
	6. 6GHz wide band 802.11ax FEM (used for WiFi 6 wave 2)
2020	1. New FM IC (digital output) shipping in Samsung Flagship Phone
	2. WiFi 6 7GHz switch launched to market
	3. Automotive 5GHz/2GHz FEMs qualified by Cypress
	4. WiFi 6 FEM got AVL by MTK mobile platform
	5. 10GHz CW/FMCW radar front-end launched for engineering sample to customers
	6. 10GHz CW/FMCW radar SoC launched for engineering sample to customer
	7. WiFi 6 5GHz/2GHz FEMs qualified by Quantenna
	8. GPS SAW filter, B24 TX/RX filter design win in Satellite IOT Market
	9. WiFi 6 2.4GHz/5GHz FEM got AVL by MTK AP Router Platform
	10. WiFi 6 2.4GHz/5GHz FEM got AVL by Realtek AP Platform
	11. RichWave Automotive quality system qualified by Murata
	12. The Non-linear 2.4GHz/5GHz PA launched to WiFi 6 AP Router market
2021	1. WiFi 6 2.4GHz/5GHz dual-FEM lunched to WiFi Mobile market
	2. WiFi 6 2.4GHz/5GHz FEM with directional coupler lunched to WiFi AP Router market
	3. WiFi 6E 6GHz RF FEM lunched to WiFi AP Router market
	4. IoT/BLE and IoT/Zigbee RF FEM design win in Europe carrier brand customer
	5. WiFi 6E High power SPDT switch design win in Enterprise brand customer

(IV) Long and Short-Term Business Development Plans:

(1) Short-term development plan:

A. Research and development strategy

- a. Follow information, communication, and consumer electronic product market development trends and develop wireless products to meet customer demands and expand the market share in market application products.
- b. Make good use of technical knowledge accumulated by the Company to create technical differentiation, maintain our existing products, develop cost reduction methods, and develop other product lines for the market. Improve product quality and enhance the competitiveness of products.

B. Production and sales strategy

- a. Use Taiwan's unique vertical division of labor and manufacturing capabilities to provide customized and flexible operations. Work with domestic wafer plants and packaging and testing plants to maintain close OEM services, ensure access to production capacity and timely delivery of products, and meet customer and market demand.
- b. Develop cooperation and build trust with customers, provide rapid and trustworthy technical services, and use distributors and agents to penetrate all parts of the market to improve profits and the market share of the product.

C. Business and financial planning strategies

- a. Attach importance to employee welfare policies and implement a bonus and merit-based reward system to boost employee morale and increase their motivation.

(2) Long-term development plans:

A. Research and development strategy

- a. Respond to market application demand and provide a comprehensive range of products. Expand the breadth and depth of the product lines and use more advanced technologies to develop high-end products to diversify products and satisfy customers' market demand.
- b. Seek technical exchanges with domestic and foreign academic institutions and leverage the long-term strategic partnership with system companies to create the Company's unique technical brand.
- c. Create long-term partnerships with main chip manufacturers to facilitate early development, reference designs for platform deployment, and expand market share.

B. Production and sales strategy

- a. Continue to maintain long-term partnerships with upstream foundry, packaging, and testing companies and become their strategic partners for joint development of processes with special niches, reduce production cost, and develop high-quality and competitive products.

- b. Grasp key technologies and optimize product applications for more advanced and precise product integration and development. Become a world-class leader in the industry.

C. Business and financial planning strategies

- a. Expand internationalization ideals and cultivate business management capabilities for international companies. Actively cultivate international talents to become a world-class company.
- b. Use a diverse range of wealth management tools in the capital market to strengthen the Company's financial structure based on long-term business growth. Use comprehensive and diverse fundraising channels to create the most suitable fund demand portfolio to support the Company's operations and development.

II. Market, Production and Sales

(I) Market analysis:

1. Areas for the sales (supply) of main products (services):

Unit: NT\$ thousands; %

Sales region		2019		2020	
		Amount	Percentage (%)	Amount	Percentage (%)
Domestic sales		1,345,205	48.92	1,948,871	36.43
Export sales	China	1,019,685	37.09	2,927,892	54.72
	Asia	300,732	10.94	393,150	7.35
	Others	83,933	3.05	80,287	1.50
Total		2,749,555	100.00	5,350,200	100.00

2. Market share:

In the past, the domestic semiconductors industry lacked RFIC design talents. The shortage was particularly severe in the power amplifier sector. Domestic IC design companies are relatively weaker in RFIC products as the market is dominated by a handful of American and Japanese companies. RichWave shipped an average of more than 9.44 million RFIC FEMs each month in 2020 and shipped more than 1.133 billion units in 2020. According to the TRI report, the compound annual growth rate of the global Wi-Fi market will be approximately 20%. A certain percentage of the demand will be Wi-Fi products with low power consumption requirements. The power amplifier product, switch, or other RF front-end components have been built into the main chip. Devices connected to external RF front-end components generally require 2-4 components due to the system design, main chip platform, and installation cost. . As Wi-Fi has been widely adopted for consumer products, the system design specifications change rapidly. There has been no market research reports and the calculation of the market share is based on the information collected by RichWave's internal marketing department from system companies. We estimate that RichWave's Wi-Fi product shipments in 2021 will account for approximately 15% to 20% of the global market share. As Taiwan's RFIC industry technologies matured in recent years, the Company has used the close technical cooperation between the technical

teams, customers, and suppliers to develop and design RFIC products that meet the demands of domestic system companies for integration and price competitiveness. We will gradually increase the global market share of domestic RFIC.

3. Future market supply, demand and growth:

More than 80% of the Wi-Fi products across the world are supplied by ODMs and OEMs in China and Taiwan. It is one of the most successful industries for the Chinese. Due to the difficulty in the design of RF components such as PA, LNA, and SW, and the need to adjust the parameters of the product based on customer demand after integration, RichWave became the only company in Taiwan to use advanced material SiGe process design for PA and SOI process design for SW. Our technical know-how has reached economy of scale and we continue to increase productivity at a steady pace to carve out our position in the intensive competition of major international companies. With the widespread adoption of wireless communication products such as smart phones and Wi-Fi and the accelerated pace of mobile communication product development, the demand for RF front-end module and switches has continued to increase. There are currently no similar listed companies in Taiwan that provide PA and switch products. The products provided by RichWave can gradually change the market which has, until now, been entirely dominated by major foreign companies.

Although Wi-Fi has matured, as technology continues to evolve and more multimedia wireless transmission applications and hand-held devices are used, the In-Stat report showed that WiFi has been widely adopted in different fields including fixed consumer electronics (e.g., smart TV, game consoles), portable consumer electronics (e.g., smart cameras and tablets), computer equipment (e.g., printers), laptop computers, smart phones, and medical industries. Wi-Fi applications continue to increase. Wi-Fi 6 (IEEE 802.11ax standard) was certified by the Wi-Fi Alliance on Sep. 16, 2019. According to TRI estimates, it took twenty years for Wi-Fi spec to migrate from 802.11b to 802.11ax (WiFi 6). It has driven revenue growth in related industries and attracted market attention. Leading companies in the Wi-Fi industry has helped increase Wi-Fi 6 penetration rate and bring about strong shipment momentum. The rise in product's average selling price has also had a positive impact on the industry. Wi-Fi 6 penetration rate on end device is expected to continue to rise.

The continuous growth of mobile phones has made it the device that has the highest growth rate within the WiFi industry. According to the report of the market research institution IDC, global smart phone shipment volume in 2021 will increase 5.5% from 2020 to 1.37 billion units. The smart phone applications have expanded to different sectors (e.g., smart home and health applications). With support from smartphone developers, this segment of the industry is expecting more demand stimuli and growth.

Small cell base stations are also called micro cell base stations or home base stations. They play an important role in fixed-mobile convergence (FMC). Mobile communication networks are composed of numerous small wireless units (cells) used as base stations which have different coverage, system capacity, and output based on their location or applications. We divide them based on the coverage (or power output) into macro cell, micro cell, pico cell, and femto cell base stations. Pico cell and femto cell base stations are mainly installed

in areas with dense mobile phone usage such as train stations and shopping malls to increase network capacity. Femto cell base stations cover an even smaller range and is mostly used to cover areas that are not covered by other base stations and increase data transmission speed. They are generally used in residences or small-scale business environments. Base stations defined as micro cell or below are referred to as small cell.

4. Competitive niches:

A. Outstanding R&D and technology capabilities:

As the first professional RFIC design company in Taiwan to utilize SiGe process and launch PA mass production, RichWave has gained advantages over competition with global GaAs manufacturers with cost-effective and high-performance RFIC front-end modules. The Company has focused on RFIC since its establishment. High-quality human resource has been the foundation of development. With rich R&D talents, we have accumulated significant levels of technology and experience. Our R&D team provides global IC design industry with rich IC design resources. Also, it lies at the heart of our competitiveness and growth. In addition, the broad applications and longer product life cycle of wireless communication products serve beneficial for future development.

B. Management of foundry source and long-term partnership:

Foundries' process, yield, capacity, delivery, and price are all contributing factors for our competitiveness and sales success. Long-term cooperation with assembly and testing partners are also indispensable. The Company has maintained long-term partnership with suppliers to ensure stability in quality and supply.

C. Maintain close partnerships with customers:

The Company's marketing and sales team provides customers with comprehensive product development services. We offer better prices and can better meet the current market demands in terms of quality, yield, delivery, and after-sales services. We also maintain good relations with our customers to help them shorten their product development time. We strive to grow together with customers and maintain long-term relations. The marketing channels and strong customer relationships we established help empower the Company's future operations and development.

5. Favorable and unfavorable factors for future development and strategies:

(1) Favorable factors:

a. Room for growth in the RFIC industry

RFIC applications will become increasingly widespread due to the continuous advancement of information technology, increased penetration of portable devices such as mobile phones, Wi-Fi, and digital video/audio products and contents, launch of low-cost computers, development of the Internet, and advancement in semiconductor process miniaturization technologies. They will invariably increase the overall market demand in the RFIC industry and create potential for future growth.

- b. Wireless communication industry standards are not easily changed after different forms of certification are implemented

Due to the differences between various wireless communication industry standards and R&D technologies encompassing software and hardware sectors, small businesses with flexibility may benefit from market niches if they can rapidly respond in individual markets and avoid price wars waged for standard products. In addition, the design and development of RFIC products often requires extensive experience and accumulation of fault detection technologies. The system companies also require longer certification time and suppliers are not easily changed after they are certified. Therefore, domestic companies cannot replace the Company as suppliers within a short period of time. The Company's technical team has accumulated multiple years of experience in R&D in related sectors. It can thus shorten the learning curve and create entry barriers.

(2) Unfavorable factors and response strategies:

- a. Rising cost of professional RFIC personnel and shortage of R&D personnel in Taiwan

The rapid development of the IC industry has increased the relative cost of professional manpower. In addition, the long duration of RFIC design professionals and the long-term focus on digital technologies as opposed to analog technologies in Taiwan means that domestic colleges, universities, and graduate institute only train a limited number of professional RFIC designers each year. Changes in market products have accelerated and talent cultivation cannot meet demand.

Response strategies:

The Company recruits talent on campus and organizes training to increase employee welfare, strengthen employees' sense of cohesion, reduce turnover, and enhance the development skills of R&D talents. We also develop more advanced process databases to improve the Company's core competitiveness and win more opportunities for working with customers.

- b. High reliance on foundries

Due to the vertical division of labor and integration in the semiconductor industry, the upstream and downstream industries can be roughly divided into IC design, foundry services, cutting and packaging plants, and testing plants. They are closely interconnected.

Response strategies:

We maintain good interactions with downstream foundries to ensure the production capacity of foundry services and actively develop other foundry services to reduce risks.

- c. Competition with domestic and foreign companies

The main global RFIC suppliers can be categorized into main chips and RFIC supplier. The former mainly provides RF, baseband IC, and software solutions. Players include Qualcomm, Broadcom, Infineon, Marvell, MTK, Spreadtrum Communications, HiSilicon, and Realtek. The latter provides RFIC and players are Skyworks, RFMD (Qorvo), and Avago.

Leading RFIC companies such as Skyworks, RFMD (Qorvo), and Avago have gained significant market shares in the mobile phone industry with only power amplifiers. They have also captured at least 60% of the global mobile phone PA market. However, whether such IDM companies can withstand fluctuations in price in the overall wireless communication industry has become questionable.

Under current price competition, RFIC plants must face the challenge of maintaining their market share in the ever-growing mid to low-tier smart phone market. CMOS design that offers cost-effective solutions has become the choice for semiconductor industry. The energy-saving design with optimized multiple bands and multiple modes has also become a key in the next phase of development in the RFIC market.

Response strategies:

- (a) Strengthen the Company's product R&D capabilities and reduce the time required to launch new products.
- (b) Stabilize the quality of supply and control the production capacity to strengthen the confidence of customers.
- (c) Strengthen cooperation with domestic and foreign system manufacturers to develop new products.
- (d) Make concrete contributions to improve production yield and reduce the cost of production and sales.
- (e) Strengthen marketing management and create a global marketing network and after-sales service system to enhance customer loyalty.
- (f) Improve the performance-cost ratio of RFIC products, reduce power consumption, and expand into RFIC applications beyond mobile phones such as WLAN and GPS. Develop multiple highly integrated wireless communication RFIC solutions and provide comprehensive RF sub-system solutions.

(II) Important Applications and Manufacturing Processes of Major Products:

1. Important applications of major products:

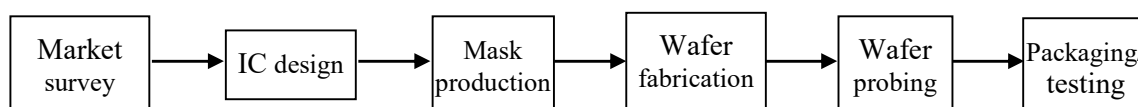
RF front-end component	Name	Basic functions
PA	Power amplifier	The RF front-end component used for the transmitting path that amplifies the high-frequency signals sent by the RF transceiver for transmission via the antenna. It must have high linearity, high

RF front-end component	Name	Basic functions
		efficiency, digital controls, power inspection, and a small footprint to meet broadband and high-speed demands of the wireless communication system.
LNA	Low-noise amplifier	The RF front-end component used for the receiving path that amplifies the weak signals received by the antenna amid high levels of background noise and transmits the signal to the subsequent RF transceiver for frequency reduction and base band coordination. Noise Figure (NF) is an important trait.
SW	Switch	The switch is the RF front-end component that is closest to the antenna. It functions by switching between the connection or disconnection of the transmission or reception paths of the antenna based on the control signal to attain the time-division multiplexing function for regular system transmission and reception.
FEM	Front-end module	The FEM integrates active and passive RF front-end components for RF transmission and reception paths to form an SOC RF front-end module. Its composition may include active components such as the PA, LNA, and switch, and other passive components such as filters and couplers. Different system applications often include different combination requirements. Therefore, the RF front-end module often requires customized design.

RFIC transceiver	Product positioning	Basic product functions
2.4GHz digital frequency-hopping RFIC transceiver	It is a smart home surveillance system used to create an Hz wireless frequency hopping digital video/audio transmission system. It integrates the peer-to-peer (P2P) software suite developed by RichWave and smart phone apps to allow users to monitor home security and care for the elderly, infants, and young children through smart remote wireless connections with Wi-Fi.2.4G3G4G	<ol style="list-style-type: none"> 1.2.41. Uses 2.4GHz digital frequency hopping to transmit CVBS and compressed video and audio signals for surround sound. 2. Supports MPEG4 and MP3 video and audio compression and decompression. 3. Retains Internet connection functions to provide smart phones and tablets with remote storage and playing functions. 4. Four-to-one transmission monitoring and bidirectional audio transmission, file transmission, and management functions.

RFIC transceiver	Product positioning	Basic product functions
		5. Interference-resistance and confidential digital frequency hopping transmission with line-of-sight propagation to transmit standard resolution video feeds that can replace CCTV market specifications and price demand.250m

2. Manufacturing process:



(III) Supply Status of Main Materials:

Main material	Main supplier	Supply status
Wafer	Supplier A	Good
Wafer	Supplier B	Good
Wafer	Supplier C	Good

(IV) Names of suppliers who accounted for more than 10% of the purchases of the Company in the past two years, and the ratio to total purchases:

Unit: NT\$ thousands; %

	2019				2020			
Item	Name	Amount	Percentage of net purchases of the year (%)	Relationship with the issuer	Name	Amount	Percentage of net purchases of the year (%)	Relationship with the issuer
1	Supplier A	638,208	54%	—	Supplier A	1,885,985	71%	—
2	Supplier B	199,241	17%	—	Supplier B	363,876	14%	—
3	Supplier C	164,642	14%	—	Supplier C	237,280	9%	—
4	Others	177,543	15%	—	Others	152,754	6%	—
	Net purchases	1,179,634	100%		Net purchases	2,639,895	100%	

Reasons for the change: The Company selects professional wafer foundries based on manufacturing process capabilities, production capacity, and price and there were no changes in major suppliers in the past two years.

(V) Names of customers who accounted for more than 10% of the sales in the past two years, and sales as a percentage of total sales:

Unit: NT\$ thousands; %

	2019				2020			
Item	Name	Amount	Percentage of net sales of the year (%)	Relationship with the issuer	Name	Amount	Percentage of net sales of the year (%)	Relationship with the issuer
1	Customer A	1,287,612	47%	—	Customer A	1,885,769	35%	—
2	Customer B	160,332	6%	—	Customer B	755,119	14%	—
3	Customer C	80,007	3%	—	Customer C	677,758	13%	—
4	Others	1,221,604	44%	—	Others	2,031,554	38%	—
	Net sales	2,749,555	100%		Net sales	5,350,200	100%	

(VI) Output volume and value for the past two years:

Unit: thousand units; NT\$ thousands

Main product	Year Output quantity and value	2019			2020		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Wi-Fi products		—	814,577	1,509,433	—	1,138,287	3,151,903
Mobile communication products		—	74,163	81,053	—	203,913	170,213
FM tuner		—	39,615	100,580	—	27,988	72,740
Wireless video/audio products		—	1,796	21,446	—	2,584	23,242
Other products		—	114	95	—	132	109
Total		—	930,265	1,712,607	—	1,372,904	3,418,207

(VII) Sales volume and value for the past two years:

Unit: thousand units; NT\$ thousands

Year Sales volume/ value	2019				2020			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main product								
Wi-Fi	309,982	1,024,908	523,549	1,421,949	369,322	1,607,760	764,277	3,355,806
LTE	1,473	16,117	40,979	169,650	30,731	35,788	170,668	149,862
FM tuner	6,287	10,603	63,946	62,027	4,968	27,162	22,196	92,090
Wireless video/audio	23	2,293	1,954	41,096	313	6,463	2,263	49,406
Others	174	460	19	452	165	462	151	25,401
Total	317,939	1,054,381	630,447	1,695,174	405,499	1,677,635	959,555	3,672,565

III. Information on employees

Number of employees in the past two years as of Apr. 20, 2021

Year		2019	2020	As of Apr. 20, 2021
Number of employees (person)	Manufacture and Production	0	0	0
	RD	149	157	173
	Sales and administration	89	105	118
	Total	238	262	291
Average age (year)		42.2	40.9	40.5
Average years of service (years)		5	4.5	4
Distribution of academic qualifications (%)	Dotoral	6%	5%	5%
	master	43%	43%	44%
	bachelor	50%	51%	48%
	high school	1%	1%	1%
	below high school	0	0	0

IV. Environmental Protection Expenditure

Total losses (including damage awards) and fines for environmental pollution in the two most recent fiscal years, and as of the publication date of the Annual Report, and explanations of the measures and possible disbursements to be made in the future: None.

V. Labor Relations

(I) Employee welfare measures, continuing education, training, retirement system and implementation status:

1. Employee welfare measures:

The Company funds the Employee Welfare Fund in accordance with related regulations and we organized the Employees' Welfare Committee to plan, oversee and implement employees' benefits. Employees enjoy gift coupons (allowances) for the three traditional holidays and the year-end bonus. The Company also provides marriage, funeral, hospitalization, and childbirth subsidies to take care of employees' lives. In addition to providing employees with labor and health insurance in accordance with the Labor Standards Act and related regulations, the Company also provides employees with group

medical insurance, cancer insurance, and accident insurance to provide employees with better coverage.

2. Employees continuing education and training: The Company organizes internal and external training based on work requirements.

3. Retirement system and its implementation status:

The Company has established retirement regulations for official employees and has established the Labor Pension Supervisory Committee in accordance with the Labor Standards Act. The Company makes monthly pension contributions equivalent to a certain percentage of employees' gross salaries. Contributions are made to the Labor Pension Supervisory Committee and are deposited into separate accounts in the Bank of Taiwan.

The appropriation system is adopted starting from the implementation of the Labor Pension Act on July 1, 2005. After the implementation of the appropriation system, employees may choose to adopt regulations on pension specified in the "Labor Standards Act" or use the pension system of the Enforcement Rules of the Labor Standards Act and retain the number of years of service prior to the implementation of the Enforcement Rules. For employees eligible for the pension system, the Company shall set aside no less than 6% of their wages to their personal labor pension account each month in accordance with the Labor Pension Act.

(II) Employer-employee agreements and protection of employees' rights and interests:

1. Negotiations between employer and employees:

The Company follows all labor laws and related regulations in all matters. Both employees and the employer follow rules stipulated in the work contract, work regulations and various management regulations. The Company has enjoyed harmonious relations between employees and the employer since its founding and there have been no major employee-employer disputes or losses.

2. Protection of employees' rights and interests:

The Company has established comprehensive regulations governing the rights, obligations and benefits of employees to safeguard employee rights and interests.

(III) List the losses suffered due to labor disputes in the most recent fiscal year up to the publication date of this annual report, and disclose the estimated amount for current and possible future occurrences, and response measures. If the amount cannot be reasonably estimated, clarify the reason:

The Company has enjoyed harmonious relations between employees and the employer since its founding and there have been no major labor-management disputes or losses. We shall continue to enhance communication between the two parties to achieve company prosperity and safeguard employees' welfare with the aim of reducing the occurrence of employee-employer disputes with through peaceful and reasonable means.

VI. Important Contracts

Nature of contract	Counterparty	Term	Major contents	Restrictions
Lease	Fubon Life Insurance Co., Ltd.	2018.06.01-2021.05.31	Lease of Neihu office	None
Lease	Fubon Life Insurance Co., Ltd.	2020.11.01-2024.05.31	Lease of Neihu office	None
Lease	Jung Pei Technology Co., Ltd.	2020.08.01-2023.07.31	Lease of Hsinchu office	None
Lease	Chia Feng Investment Co., Ltd.	2021.04.01-2023.03.31	Lease of Hsinchu office	None
Lease	Tai Yuan Investment Co., Ltd.	2021.04.01-2023.03.31	Lease of Hsinchu office	None
Lease	Santa Teresa Village, LLC	2021.05.01-2024.04.30	Lease of United States office	None
Lease	Help You Manage (Shenzhen) Innovative Services Co., Ltd.	2019.08.01-2022.08.19	Lease of Shenzhen office	None
Wafer foundry	Advanced Wireless Semiconductor Company	2009.03.02~ Till one party terminates the agreement	Wafer Foundry Agreement	None
Wafer foundry	Dongbu Hitek Co., Ltd	2014.05.01-2024.05.01	Agreement for Long-Term Relationship	None
Wafer foundry	GLOBALFOUNDRIES U.S. Inc.	2020.04.30-2023.04.30	Custom Sales Agreement	None
Outsourced processing	Sigurd Microelectronics Corporation	2011.05.03 Till one party terminates the agreement with 2-month notice	Integrated Circuit Processing and Packaging Agreement	None
Outsourced processing	Lingsen Precision Industries, Ltd.	2010.01.04~ Till one party terminates the agreement	Integrated Circuit Processing and Packaging Agreement	None
Outsourced processing	Advanced Semiconductor Engineering, Inc.	2010.05.26~ Till one party terminates the agreement	Integrated Circuit Processing and Packaging Agreement	None
Outsourced processing	JCET Group Co. Ltd.	2019.09.15-2021.09.14	Material Processing/Assembly Contract	None

Chapter VI. Corporate Social Responsibility

I. Company Commitments

(I) Employee relations

RichWave has always been committed to creating positive employee relations. The Human Resources Department is responsible for planning and joint implementation with supervisors on all levels to create positive and active employee relations that plays a key role in RichWave's continuous stable growth and performance. RichWave uses the following methods to establish and promote employee relations:

A. Hiring:

RichWave rigorously abides by regulations in the Labor Standards Act and complies with international human rights conventions to protect the employees' freedom of association. We prohibit discrimination in employment on the basis of race, age, gender, sexual orientation, disability, pregnancy, political views, or religion. All employees have signed written employment contracts that clearly state that the employment relationship is established under mutual consensus, and strictly prohibits child labor in accordance with legal regulations. Moreover, our work procedures have clearly stated regulations against forced labor, and employees' working hours are stated according to labor laws. In case of extenuating circumstances that require employment relationship to cease in Taiwan, the Company will announce the termination and subsequently pay for relevant severance pay according to the Labor Standards Act.

B. Employee communication

We have established multiple communication channels, assigned supervisors to manage communication, and established a communication effectiveness evaluation cycle. RichWave has established communication platforms and convened communication meetings for different purposes such as "understanding company operations", "getting to know supervisors", "improving the work environment", and "consensus building" to help employees understand the company, communicate company policies, and solve workplace-related problems with greater efficiency. We listen to the opinions and feedback of employees and provide two-way communication platforms that operate continuously to allow employees to ask questions and receive prompt responses. For example, we hold regular employee communication meetings and labor-management meetings. We invite employees/labor representatives to meet with senior executives/management representatives to answer and discuss important issues face to face. These meetings are very helpful for promoting mutual understanding and cohesion between the Company and employees.

C. Employee cohesion

In addition to formal communication channels, RichWave also promotes employee participation through large-scale company events (e.g., quarterly meetings, year-end parties, and birthday celebrations), department activities (e.g., department hiking activities, dinners, and ball games), and club activities. We design suitable events and create closer interactions and connection between the Company and employees, supervisors and colleagues in the process.

D. Protection measures for ensuring employee safety

RichWave has always believed that satisfying performance can only be achieved with a healthy workforce. In terms of preemptive health measures, RichWave has provided all employees with health examinations and post-examination consulting services since its establishment to effectively address and track any illness in their early stages. We appointed nurses and doctors to provide regular onsite services for employees' physical and mental health. We also provide employees with reliable medical information and medical information for their personal needs.

E. Employee services and employee care

Our services for employees include overall company policies and software and hardware facilities. We provide an environment that is friendly and enjoyable for employees to work. We also provide caring services from an engineer's perspective in the smallest details so that employees can work without worries. We satisfy their needs in life by signing contracts with merchants and infant daycare centers so that employees can benefit from the Company's comprehensive care for talents.

In terms of employee care, we have created friendly relations with employees and a friendly environment, and we provide care and assistance for employees' problems and needs. The Human Resources Department provides care and assistance for emergencies (e.g., car accidents and major incidents in the family) and psychological counseling and referrals.

F. Employee Welfare Committee

We assembled all departments to elect members of the Employee Welfare Committee in accordance with the "Organization Regulations on Employee Welfare Committee". The Committee oversees the budget of the Company's Employee Welfare Committee and organize various benefits. RichWave has always provided employee benefits at a rate higher than the minimum revenue-based contribution rate based on laws. We provide the Employee Welfare Committee with additional funding to plan more diversified welfare programs for employee benefits.

G. Continuing education and training system

The Company provides a comprehensive training program with a challenging environment to support learning, help employees maximize their potential, and continue

to enhance the Company's overall capabilities. Education and training can be divided into the following categories based on the employees' rank and their work in the Company:

a. Management competency training

Training development activities are designed according to requirements for managerial competencies and responsibilities for supervisors of each rank.

b. Training for new employees

The Human Resource Department organizes training to help new employees understand the Company's policies, corporate culture, and work environment and help new employees work with their teams.

c. Technical engineering training

Training courses and development activities are provided for various professional competencies required for engineers in carrying out their responsibilities based on the skills they have accumulated in the Company.

d. Professional competency training

We assign employees to external professional development courses based on the professional skills they require such as individual productivity, occupational health and safety, financial accounting, human resource, information technology, legal affairs and intellectual property, marketing and sales, and quality management.

e. External training

External training is provided to enhance employee competencies and work-related capabilities, promote business development, and make up for any deficiencies in the internal training.

f. General knowledge training

Employees are required to complete basic training based on government regulations and company policies regardless of their department, functions, and responsibilities.

g. Other training

The Company invites professionals from different sectors to give speeches at the Company from time to time to improve employee knowledge and provide them with opportunities for learning.

H. Retirement system

The pension system for the Company's employees is implemented in accordance with regulations in the Labor Standards Act and Labor Pension Act. The Company also appropriates pension funds each month to the account of the Labor Pension Supervisory Committee for deposit and payment each month. After the implementation of the Labor Pension Act on July 1, 2005, employees may choose to adopt regulations on pension specified in the "Labor Standards Act" (old system) or use the pension system of the

Labor Pension Act (new system) and retain the number of years of service prior to the implementation of the Act (retain the number of years of service in the old system). For employees eligible for the new retirement system, the Company shall make monthly pension contributions equal to no less than 6% of the employee's monthly salary. The Company also appropriates pension in the accounts and recognizes pension liabilities based on the pension actuarial report submitted by a qualified actuary in accordance with International Accounting Standard No. 19 "Employee Benefits".

(II) Supply chain management

RichWave specializes in IC design and occupies the top position in the industry value chain with technical designs. Subsequent processes such as raw material procurement, OEM, packaging and testing are conducted by suppliers. We have created partnerships based on the division of labor and cooperation between different companies. Nevertheless, risk evaluations and carbon footprint verification have shown the key impacts to the society and the environment from suppliers. RichWave will focus on its primary mission of working with suppliers to lower potential risks for the society and the environment.

To establish long-term and stable partnerships with suppliers, RichWave upholds sustainable development and compiles related economic, environmental, and social standards and initiatives into our sustainable development strategy for the supply chain. In addition to establishing a Business Continuity Planning (BCP) Committee, the Company has also requested suppliers to establish a BCP Committee to enhance their control of possible risks, continuously improve operations, and explore potential market opportunities.

In terms of economics, we require our suppliers to meet the basic criteria of delivery time, capacity, service, and quality. To meet the requirements of RichWave's marketing strategy, we require our suppliers to obtain ISO 9001 and IATF 16949 automotive quality management system certification, comply with environmental policies, and ensure their compliance with environmental regulations. We require our suppliers to implement ISO 14001 and QC 080000 environmental management systems, and we are also committed to ensuring that our suppliers do not use hazardous substances. We use national regulations, Sony Green-Partner, and QC 080000 as our main assessment standards for meeting international customers' requirements for product safety and environmental protection.

RichWave performs economic, environmental and social risk assessments of suppliers each year to investigate suppliers' standards and identify potential risks. Step 1: Suppliers undertake self-assessments to ensure their levels of compliance for each indicator and provide supporting materials. Step 2: Dedicated personnel of RichWave perform assessments and on-site audits and compare the data against the self-assessment and supporting information from suppliers to ensure the completeness and accuracy of the data. We organize regular meetings with suppliers each quarter to discuss related matters on suppliers, quality, and production capacity, establish long-term and stable partnerships with suppliers, and cooperate for sustainable development. To ensure the quality and

management system of qualified suppliers, we evaluate the performance of our major back-end production suppliers each quarter. We rate suppliers based on delivery quality, cost, delivery time, and technical capability performance. We provide assistance and training for suppliers with substandard ratings so that they can meet the Company's requirements. If they fail to improve, we suspend procurement or disqualify them as suppliers.

II. Social Engagement and Environmental Protection

(I) Industrial-academic cooperation

RichWave pays close attention to the training of professional talents and maintains long-term and close collaboration with academia institutions. We actively invest in industrial-academic cooperation in advanced technologies and engaged in the development of such technologies with Chiao Tung University, Chung Cheng University, and Sun Yat-sen University based on their technological development to rapidly connect with international standards.

(II) Environmental protection activities

RichWave has a profound interest in environmental protection issues and actively participates in environmental protection by encouraging employees to prepare their own utensils, reduce the use of paper and disposable tableware, sort waste, recycle usable resources, and take part in activities that help the environment.

(III) Energy conservation measures

RichWave upholds environmentally friendly, energy conservation, and carbon reduction measures to fulfill its responsibilities as a corporate citizen. We also review the reasonableness of internal energy use and adopt energy conservation measures by encouraging employees to switch off lights and computers when they are not used, and switch off meeting systems after meetings to reduce energy consumption. The IT Department reviews measures to improve the air-conditioning environment in the server room (e.g., improving the air-conditioning cycle, reducing air-conditioning leaks, and raising the temperature where appropriate) and calibrate the system to reduce air-conditioning losses. The Department also evaluates the feasibility of introducing new energy-saving technologies to reduce energy consumption. In terms of energy-saving management measures for air-conditioning in office areas, we raise the ambient temperature where appropriate and reduce the number and operation duration of air-conditioning equipment without affecting the normal operations of equipment/personnel to conserve energy.

(IV) Waste management and resource recycling and reuse

To maximize the benefits of effective waste management and sustainable use of resources, we focused on waste reduction, effective waste sorting, recycling, reuse and proper disposal. We also continue to improve waste storage, transportation, and disposal,

and reduce our impacts on the environment. We carefully select qualified waste disposal and reuse companies to closely monitor waste disposal procedures, and we conduct regular audits on the legality of the waste disposal process to bear responsibilities for waste management and supervision.

(V) Green transportation

RichWave upholds environmentally friendly, energy conservation, and carbon reduction measures and encourages employees to use the MRT system, carpool, or use video conferencing systems for meetings to reduce carbon emissions.

(VI) Environment safety management

- A. The building management committee is responsible for overseeing the safety and operations the Company's fire safety, water, electricity, and air-conditioning system and perform regular tests.
- B. Dedicated personnel clean the office environment and conduct safety inspections of equipment and machinery rooms every day.
- C. Organize transportation and work safety awareness campaigns from time to time.
- D. During the epidemic, daily employee self-management and disinfection reports are uploaded for management and professional cleaning companies are contracted to regularly disinfect the work environment. Visitors are required to sign health declarations when they visit the Company to ensure safety in the work environment.

(VII) Others

We continue increase the environmental protection awareness and educational campaigns for all employees including electricity conservation, water conservation, and resource recycling. We also support related activities of governments and environmental protection organizations.

Chapter VII. Financial Information

I. Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years

(I) Condensed balance sheets for the past five fiscal years:

1. Condensed balance sheet - consolidated:

Unit: NT\$ thousands

Item \ Year		Financial data for the past five fiscal years				
		2016	2017	2018(Note 1)	2019(Note 1)	2020 (Note 1)
Current assets				1,725,134	2,168,060	3,425,735
Property, plant, and equipment				85,761	109,112	128,771
Intangible assets				21,229	20,241	18,551
Other assets				51,522	85,880	88,151
Total assets				1,883,646	2,383,293	3,661,208
Current liabilities	Before distribution			702,196	996,007	1,455,059
	After distribution			792,760	1,116,192	(Note 3)
Non-current liabilities				6,886	18,685	20,863
Total liabilities	Before distribution			709,082	1,014,692	1,475,922
	After distribution			799,646	1,134,877	(Note 3)
Equity attributable to parent company shareholders			Note 2	1,174,564	1,368,601	2,185,285
Share capital				603,761	619,511	631,921
Capital reserve				276,847	355,743	415,180
Retained earnings	Before distribution			294,030	393,749	1,139,285
	After distribution			203,466	273,564	(Note 3)
Other equity				(74)	(402)	(1,100)
Treasury stock				0	0	0
Non-controlling interest				0	0	0
Total equity	Before distribution			1,174,564	1,368,601	2,185,286
	After distribution			1,084,000	1,248,416	(Note 3)

Note 1: Audited and attested by the CPA.

Note 2: The Company did not prepare the Consolidated Financial Report for 2016 and 2017.

Note 3: The 2020 earnings distribution proposal has not yet been passed in the shareholders' meeting.

2. Condensed balance sheet - parent company only:

Unit: NT\$ thousands

Item \ Year		Financial data for the past five fiscal years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		1,321,128	1,522,256	1,708,239	2,153,766	3,412,241
Property, plant, and equipment		62,570	62,110	85,761	109,112	128,771
Intangible assets		10,739	24,375	21,229	20,241	18,551
Other assets		23,682	37,465	51,522	100,174	101,645
Total assets		1,418,119	1,646,206	1,883,646	2,383,293	3,661,208
Current liabilities	Before distribution	467,179	626,876	702,196	996,007	1,455,059
	After distribution	559,390	661,455	792,760	1,116,192	(Note 3)
Non-current liabilities		6,437	2,829	6,886	18,685	20,863
Total liabilities	Before distribution	473,616	629,705	709,082	1,014,692	1,475,922
	After distribution	565,827	664,284	799,646	1,134,877	(Note 2)
Equity attributable to parent company shareholders		944,503	1,016,501	1,174,564	1,368,601	2,185,286
Share capital		548,874	548,874	603,761	619,511	631,921
Capital reserve		237,863	260,971	276,847	355,743	415,180
Retained earnings	Before distribution	157,789	206,678	294,030	393,749	1,139,285
	After distribution	65,578	117,212	203,466	273,564	(Note 2)
Other equity		(20)	(22)	(74)	(402)	(1,100)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	944,503	1,016,501	1,174,564	1,368,601	2,185,286
	After distribution	852,292	981,922	1,084,000	1,248,416	(Note 2)

Note 1: The Company's financial information for the past five fiscal years were audited and certified by the CPA.

Note 2: The 2020 earnings distribution proposal has not yet been passed in the shareholders' meeting.

(II) Statement of comprehensive income for the past five fiscal years.

1. Condensed statement of comprehensive income - consolidated:

Unit: NT\$ thousands

Item \ Year	Financial data for the past five fiscal years				
	2016	2017	2018(Note 1)	2019(Note 1)	2020 (Note 1)
Operating revenue	Note 2		2,650,169	2,749,555	5,350,200
Gross operating profit			865,117	984,678	1,898,267
Operating profit or loss			201,169	243,234	1,007,952
Non-operating income and expenses			12,934	511	9,155
Pre-tax profit			214,103	243,745	1,017,107
Continuing operations			214,103	243,745	1,017,107
Current period net profit			-	-	-
Loss from discontinued operations			-	-	-
Net income (loss) of this period			177,185	190,737	866,216
Other comprehensive income of the period (net income after-tax)			(419)	(782)	(1,193)
Total comprehensive income of the period			176,766	189,955	865,023
Net profit attributable to parent company shareholders			177,185	190,737	866,216
Net profit attributable to non-controlling interest			0	0	0
Total comprehensive income attributed to the owners of the parent company			176,766	189,955	865,023
Total comprehensive income attributed to non-controlling equity			0	0	0
Earnings per share			2.93	3.13	13.82

Note 1: Audited and attested by the CPA.

Note 2: The Company did not prepare the Consolidated Financial Report for 2016 and 2017.

2. Condensed statement of comprehensive income - parent company only:

Unit: NT\$ thousands

Item \ Year	Financial data for the past five fiscal years (Note 1)				
	2016	2017	2018	2019	2020
Operating revenue	2,161,784	2,666,091	2,650,169	2,749,555	5,350,200
Gross operating profit	732,225	909,106	865,117	984,678	1,898,267
Operating profit or loss	183,547	271,182	201,169	245,516	1,008,041
Non-operating income and expenses	(11,874)	(109,056)	12,934	(1,771)	9,066
Pre-tax profit	171,673	162,126	214,103	243,745	1,017,107
Continuing operations Current period net profit	171,673	162,126	214,103	243,745	1,017,107
Loss from discontinued operations	-	-	-	-	-
Net income (loss) of this period	150,212	142,162	177,185	190,737	866,216
Other comprehensive income of the period (net income after-tax)	(1,319)	(1,061)	(419)	(782)	(1,193)
Total comprehensive income of the period	148,893	141,101	176,766	189,955	865,023
Net profit attributable to parent company shareholders	150,212	142,162	177,185	190,737	866,216
Net profit attributable to non-controlling interest	0	0	0	0	0
Total comprehensive income attributed to the owners of the parent company	148,893	141,101	176,766	189,955	865,023
Total comprehensive income attributed to non-controlling equity	0	0	0	0	0
Earnings per share	2.74	2.35 (Note 2)	2.93	3.13	13.82

Note 1: The Company's financial information for the past five fiscal years were audited and certified by the CPA.

Note 2: Earnings per share after retrospective adjustment.

(III) The names of CPA conducting financial audits in the past five fiscal years and their audit opinions:

Year	CPA Firm	CPA	Audit Opinions
2016	Deloitte, Taiwan	Su-Li Fang, Cheng-Chih Lin	Unqualified opinion
2017	Deloitte, Taiwan	Su-Li Fang, Cheng-Chih Lin	Unqualified opinion
2018	Deloitte, Taiwan	Su-Li Fang, Cheng-Chih Lin	Unqualified opinion
2019	Deloitte, Taiwan	Tung-Hui Yeh, Cheng-Chih Lin	Unqualified opinion
2020	Deloitte, Taiwan	Tung-Hui Yeh, Cheng-Chih Lin	Unqualified opinion

Note: Reason for the replacement of CPAs in the past five fiscal years: Internal rotation of the CPA firm.

II. Financial Analyses for the Past Five Fiscal Years

1. Financial analysis - consolidated:

Descriptions		Year	Financial Analyses for the Past Five Fiscal Years				
		2016	2017	2018(Note 1)	2019(Note 1)	2020(Note 1)	
Financial structure (%)	Liabilities to assets ratio	Note 2		37.64	42.58	40.31	
	Long-term working capital to real estate, plants and equipment ratio			1,377.61	1,271.43	1,713.23	
Solvency (%)	Current ratio			245.68	217.68	235.44	
	Quick ratio			177.85	156.57	149.19	
	Times interest earned			144.31	178.92	996.21	
Operating ability	Accounts receivable turnover rate (times)			4.20	4.13	5.31	
	Average cash collection days			86.91	88.38	68.74	
	Inventory turnover rate (times)			3.87	3.32	3.67	
	Accounts payable turnover rate (times)			4.53	3.53	4.28	
	Average days required for sales			94.32	109.94	99.46	
	Property, plant, and equipment turnover ratio (times)			35.84	28.22	44.98	
	Aggregate total asset turnover rate (times)			1.50	1.29	1.77	
Profitability	Return on assets (%)			10.11	8.99	28.69	
	Return on equity (%)			16.17	15.00	48.75	
	Ratio of net profit before tax to paid-in capital (%)			35.46	39.34	160.95	
	Net profit margin (%)			6.69	6.94	16.19	
	Earnings per share (NT\$)			2.93	3.13	13.82	
Cash flow	Cash flow ratio (%)			44.77	23.03	19.61	
	Cash flow adequacy ratio (%)			105.08	86.96	57.87	
	Cash reinvestment ratio (%)			22.61	9.57	7.23	
Leverage	Operating leverage			2.94	2.66	1.53	
	Financial leverage			1.01	1.01	1.00	
Analysis of causes for changes in various financial ratios in the 2 most recent years (for changes exceeding 20%):							
1. Financial structure: The increase in net income after tax for the year led to an increase in shareholders' equity and a small change in current liabilities.							
2. Solvency: Mainly due to the increase in income tax and interest expenses this year from 2019.							
3. Operating ability: Overall operating ability increased due to the increase in net profit after tax of the current year and zero delays in the collection of payments.							
4. Profitability: Mainly due to an increase in net profit after tax of the current year.							
5. Cash flow: Mainly due to the increase in accounts payable as a result of the increase in demand for goods due to an improvement in operating conditions this year and an increase in inventory level to meet sales demand.							
6. Decrease in operating leverage: The decrease was caused by the relatively low increase of operating costs and expenses in the current year compared to the increase in operating revenue.							

Note 1: Audited and attested by the CPA.

Note 2: The Company did not prepare the Consolidated Financial Report for 2016 and 2017.

The calculation formula for the items of analysis is stated below:

1. Financial structure

- (1) Liabilities to asset ratio = total liabilities/total assets.
- (2) Long-term working capital to property, plants and equipment ratio = (total equity + non-current liabilities)/net amount of property, plant, and equipment.

2. Solvency

- (1) Current ratio = current assets/current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenditures)/current liabilities.
- (3) Interest protection multiples = income before income tax and interest expenditure / interest expenditures for this period.

3. Operating ability

- (1) Accounts receivable(including notes receivables from operating activities and accounts receivable) turnover rate = net sales / average balance of accounts receivable(including notes receivables from operating activities and accounts receivable) in various terms.
- (2) Average cash collection days = 365 / Accounts receivable turnover rate.
- (3) Inventory turnover rate = Sales costs / Average amount of inventory.
- (4) Accounts payable (including notes payable from operating activities and accounts payable) turnover rate = sales costs / average balance of accounts payable (including notes payable from operating activities and accounts payable) of various terms.
- (5) Average days required for sales = 365 / Inventory turnover rate.
- (6) Property, plant, and equipment turnover rate = net sales / average net property, plant, and equipment.
- (7) Total asset turnover rate = net sales / average total assets.

4. Profitability

- (1) Return on assets = [net income + interest expenses (1- tax rate)] / average total assets.
- (2) Return on equity = net income after tax / average total equity.
- (3) Net profit margin = net income / net sales.
- (4) Earnings per share = (income attributable to owners of parent company – dividends on preferred stock) / weighted average number of shares issued.

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Net cash flow adequacy ratio = net cash flow from operating activities for the last five years / (capital expenditures + inventory additions + cash dividends) for the last five years.
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Leverage:

- (1) Operating leverage = (net operating income – variable operating cost and expenses) / operating income.
- (2) Financial leverage = operating income / (operating income – interest expenses).

2. Financial analysis - parent company only:

Descriptions		Year	Financial Analyses for the Past Five Fiscal Years (Note 1)				
			2016	2017	2018	2019	2020
Financial structure (%)	Liabilities to assets ratio		33.40	38.25	37.64	42.58	40.31
	Long-term working capital to real estate, plants and equipment ratio		1,519.80	1,641.17	1,377.61	1,271.43	1,713.23
Solvency (%)	Current ratio		282.79	242.83	243.27	216.24	234.51
	Quick ratio		220.89	168.16	175.44	155.14	145.27
	Times interest earned		0.00	0.00	144.31	178.92	996.21
Operating ability	Accounts receivable turnover rate (times)		5.64	4.60	4.20	4.13	5.31
	Average cash collection days		64.72	79.35	86.91	88.38	68.74
	Inventory turnover rate (times)		4.91	4.76	3.87	3.32	3.67
	Accounts payable turnover rate (times)		5.46	4.59	4.53	3.53	4.28
	Average days required for sales		74.34	76.68	94.32	109.94	99.45
	Property, plant, and equipment turnover ratio (times)		34.83	42.77	35.84	28.22	44.98
	Aggregate total asset turnover rate (times)		1.70	1.74	1.50	1.29	1.77
Profitability	Return on assets (%)		11.82	9.28	10.11	8.99	28.69
	Return on equity (%)		17.16	14.50	16.17	15.00	48.75
	Ratio of net profit before tax to paid-in capital (%)		31.28	29.54	35.46	39.34	160.95
	Net profit margin (%)		6.95	5.33	6.69	6.94	16.19
	Earnings per share (NT\$)		2.74	2.35 (Note 2)	2.93	3.13	13.82
Cash flow	Cash flow ratio (%)		51.20	(5.00)	44.77	23.29	19.66
	Cash flow adequacy ratio (%)		163.04	94.75	105.08	87.21	58.06
	Cash reinvestment ratio (%)		21.64	(11.51)	22.30	9.66	7.22
Leverage	Operating leverage		2.68	2.31	2.94	2.65	1.53
	Financial leverage		1.00	1.00	1.01	1.01	1.00
Analysis of causes for changes in various financial ratios in the 2 most recent years (for changes exceeding 20%):							
<ol style="list-style-type: none"> 1. Financial structure: The increase in net income after tax for the year led to an increase in shareholders' equity and a small change in current liabilities. 2. Solvency: Mainly due to the increase in income tax and interest expenses this year from 2019. 3. Operating ability: Overall operating ability increased due to the increase in net profit after tax of the current year and zero delays in the collection of payments. 4. Profitability: Mainly due to an increase in net profit after tax of the current year. 5. Cash flow: Mainly due to the increase in accounts payable as a result of the increase in demand for goods due to an improvement in operating conditions this year and an increase in inventory level to meet sales demand. 6. Decrease in operating leverage: The decrease was caused by the relatively low increase of operating costs and expenses in the current year compared to the increase in operating revenue. 							

Note 1: The Company's financial information for the past five fiscal years were audited and certified by the CPA.

Note 2: Earnings per share after retrospective adjustment.

The calculation formula for the items of analysis is stated below:

1. Financial structure

- (1) Liabilities to asset ratio = total liabilities/total assets.
- (2) Long-term working capital to property, plants and equipment ratio = (total equity + non-current liabilities)/net amount of property, plant, and equipment.

2. Solvency

- (1) Current ratio = current assets/current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenditures)/current liabilities.
- (3) Interest protection multiples = income before income tax and interest expenditure / interest expenditures for this period.

3. Operating ability

- (1) Accounts receivable(including notes receivables from operating activities and accounts receivable) turnover rate = net sales / average balance of accounts receivable(including notes receivables from operating activities and accounts receivable) in various terms.
- (2) Average cash collection days = 365 / Accounts receivable turnover rate.
- (3) Inventory turnover rate = Sales costs / Average amount of inventory.
- (4) Accounts payable (including notes payable from operating activities and accounts payable) turnover rate = sales costs / average balance of accounts payable (including notes payable from operating activities and accounts payable) of various terms.
- (5) Average days required for sales = 365 / Inventory turnover rate.
- (6) Property, plant, and equipment turnover rate = net sales / average net property, plant, and equipment.
- (7) Total asset turnover rate = net sales / average total assets.

4. Profitability

- (1) Return on assets = [net income + interest expenses (1- tax rate)] / average total assets.
- (2) Return on equity = net income after tax / average total equity.
- (3) Net profit margin = net income / net sales.
- (4) Earnings per share = (income attributable to owners of parent company – dividends on preferred stock) / weighted average number of shares issued.

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Net cash flow adequacy ratio = net cash flow from operating activities for the last five years / (capital expenditures + inventory additions + cash dividends) for the last five years.
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Leverage:

- (1) Operating leverage = (net operating income – variable operating cost and expenses) / operating income.
- (2) Financial leverage = operating income / (operating income – interest expenses).

III. Supervisors' Committee Report for the Most Recent Fiscal Year's Financial Statement

Audit Committee's Audit Report

The Company's Board of Directors prepared the 2020 Business Report, financial statements, and earnings distribution table. The financial statements were audited by Tung-Hui Yeh, CPA, and Cheng-Chih Lin, CPA, of Deloitte, Taiwan and they have prepared an Audit Report. The Audit Report was reviewed by the Audit Committee who found them to be compliant with regulations. The Audit Report is therefore provided in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and filed for your review.

To

2021 General Shareholders' Meeting of RichWave Technology Corporation

RichWave Technology Corporation

Chairman of the Audit Committee: Chia-Ying
Ma

February 25, 202

IV. Financial Statements for the Most Recent Fiscal Year

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Richwave Technology Corp.

Opinion

We have audited the accompanying consolidated financial statements of Richwave Technology Corp. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and 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, 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 Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' 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 Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

According to auditing standards in the Republic of China, there is an inherent risk of fraud in revenue recognition. Management may be under pressure to achieve their targets and attempt to inflate sales figures. In the current year, the shipments of the Group exceeded the original credit limit given, and the shipments were approved by means of temporary credit limit, giving rise to the risk of inflated sales. Therefore, revenue recognition has been identified as a key audit matter for the year ended December 31, 2020. In response to the aforementioned key audit matter, we understood the Group's internal controls on the approval of sales orders and its delivery procedures, tested the operating effectiveness of these controls, selected samples of and tested the validity of occurrence of the sales transactions, checked for discrepancies between the counterparties of the sales transactions and the parties paying off the receivables, as well as for abnormalities in the payments received after the reporting period. For the accounting policies on revenue recognition, please refer to Note 4 (12) of the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' 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 an auditors' 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 auditing standards generally accepted 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 auditing standards generally accepted 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 control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audits resulting in this independent auditors' report are Cheng-Chih Lin and Tung-Hui Yeh.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2021

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS **DECEMBER 31, 2020 AND 2019** (In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 27)	\$ 844,265	23	\$ 779,049	33
Financial assets at fair value through other comprehensive income – current (Notes 7 and 27)	-	-	11	-
Accounts receivable, net (Notes 9, 21 and 27)	1,253,538	34	762,558	32
Other receivables (Notes 9 and 27)	29,418	1	17,860	1
Inventories (Note 10)	1,280,420	35	599,507	25
Prepayments (Note 15)	12,914	1	3,653	-
Other current assets (Note 15)	5,180	-	5,422	-
Total current assets	3,425,735	94	2,168,060	91
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 8, 27 and 29)	3,000	-	4,138	-
Property, plant and equipment (Note 12)	128,771	4	109,112	5
Right-of-use assets (Notes 3, 5 and 13)	33,002	1	32,657	1
Other intangible assets (Note 14)	18,551	-	20,241	1
Deferred tax assets (Note 23)	36,453	1	39,727	2
Prepaid equipment	4,828	-	581	-
Refundable deposits (Note 27)	10,094	-	8,003	-
Net defined benefit assets - non-current (Note 19)	774	-	774	-
Total non-current assets	235,473	6	215,233	9
TOTAL	\$ 3,661,208	100	\$ 2,383,293	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 27)	\$ -	-	\$ 59,960	3
Accounts payable (Notes 17 and 27)	969,310	27	643,353	27
Accrued compensation of employees and remuneration of directors (Notes 22 and 27)	100,593	3	24,107	1
Other payables (Notes 18 and 27)	129,581	4	105,528	4
Current tax liabilities (Note 23)	141,236	4	28,569	1
Lease liabilities - current (Notes 3, 13 and 27)	17,030	-	19,778	1
Refund liabilities - current (Notes 18, 21 and 27)	85,093	2	109,902	5
Other current liabilities (Notes 18 and 21)	12,216	-	4,810	-
Total current liabilities	1,455,059	40	996,007	42
NON-CURRENT LIABILITIES				
Deferred tax liabilities - non-current (Note 23)	-	-	360	-
Lease liabilities - non-current (Notes 3, 13 and 27)	15,960	-	12,503	1
Guarantee deposits (Note 27)	4,903	-	5,822	-
Total non-current liabilities	20,863	-	18,685	1
Total liabilities	1,475,922	40	1,014,692	43
EQUITY (Note 20)				
Share capital				
Ordinary shares	631,921	17	618,781	26
Capital collected in advance	-	-	730	-
Total share capital	631,921	17	619,511	26
Capital surplus	415,180	12	355,743	15
Retained earnings				
Legal reserve	74,098	2	55,024	2
Special reserve	402	-	74	-
Unappropriated earnings	1,064,785	29	338,651	14
Total retained earnings	1,139,285	31	393,749	16
Other equity	(1,100)	-	(402)	-
Total equity	2,185,286	60	1,368,601	57
TOTAL	\$ 3,661,208	100	\$ 2,383,293	100

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

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share, in New Taiwan Dollars)

	2020		2019	
	Amount	%	Amount	%
NET REVENUE (Note 21)	\$ 5,350,200	100	\$ 2,749,555	100
OPERATING COSTS (Notes 10, 22 and 28)	<u>3,451,573</u>	<u>64</u>	<u>1,764,877</u>	<u>64</u>
GROSS PROFIT	<u>1,898,627</u>	<u>36</u>	<u>984,678</u>	<u>36</u>
OPERATING EXPENSES (Notes 19 and 22)				
Selling and marketing expenses	197,407	4	189,232	7
General and administrative expenses	179,951	3	151,293	5
Research and development expenses	513,922	10	399,253	15
Expected credit (gain) loss (Note 9)	<u>(605)</u>	<u>-</u>	<u>1,666</u>	<u>-</u>
Total operating expenses	<u>890,675</u>	<u>17</u>	<u>741,444</u>	<u>27</u>
PROFIT FROM OPERATIONS	<u>1,007,952</u>	<u>19</u>	<u>243,234</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Interest income	774	-	1,074	-
Other income	3,089	-	506	-
Other gains and losses	6,314	-	301	-
Finance costs	<u>(1,022)</u>	<u>-</u>	<u>(1,370)</u>	<u>-</u>
Total non-operating income and expenses	<u>9,155</u>	<u>-</u>	<u>511</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,017,107	19	243,745	9
INCOME TAX EXPENSE (Note 23)	<u>150,891</u>	<u>3</u>	<u>53,008</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>866,216</u>	<u>16</u>	<u>190,737</u>	<u>7</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	(608)	-	(567)	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	5	-	-	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 23)	122	-	113	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(712)</u>	<u>-</u>	<u>(328)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(1,193)</u>	<u>-</u>	<u>(782)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 865,023</u>	<u>16</u>	<u>\$ 189,955</u>	<u>7</u>

(Continued)

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share, in New Taiwan Dollars)

	2020		2019	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 24)				
Basic	\$ <u>13.82</u>		\$ <u>3.13</u>	
Diluted	\$ <u>13.67</u>		\$ <u>3.04</u>	

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

(Concluded)

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Share Capital				Retained Earnings			Other Equity		Total	Total Equity
	Number of Shares (In Thousands)	Ordinary Shares	Capital Collected in Advance	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Valuation Gain / (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translation of the Financial Statements of Foreign Operations		
BALANCE AT JANUARY 1, 2019	60,376	\$ 603,761	\$ -	\$ 276,847	\$ 37,305	\$ 22	\$ 256,703	\$ (28)	\$ (46)	\$ (74)	\$ 1,174,564
Appropriation of 2018 earnings											
Legal reserve	-	-	-	-	17,719	-	(17,719)	-	-	-	-
Special reserve	-	-	-	-	-	52	(52)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(90,564)	-	-	-	(90,564)
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	190,737	-	-	-	190,737
Other comprehensive loss for the year ended December 31, 2019 , net of income tax	-	-	-	-	-	-	(454)	-	(328)	(328)	(782)
Issuance of ordinary shares under employee share options	1,502	15,020	730	73,750	-	-	-	-	-	-	89,500
Share-based payment expenses recognized	-	-	-	5,146	-	-	-	-	-	-	5,146
BALANCE AT DECEMBER 31, 2019	61,878	618,781	730	355,743	55,024	74	338,651	(28)	(374)	(402)	1,368,601
Appropriation of 2019 earnings											
Legal reserve	-	-	-	-	19,074	-	(19,074)	-	-	-	-
Special reserve	-	-	-	-	-	328	(328)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(120,185)	-	-	-	(120,185)
Net profit for the year ended December 31, 2020	-	-	-	-	-	-	866,216	-	-	-	866,216
Other comprehensive loss for the year ended December 31, 2020 , net of income tax	-	-	-	-	-	-	(486)	5	(712)	(707)	(1,193)
Issuance of ordinary shares under employee share options	1,314	13,140	(730)	57,831	-	-	-	-	-	-	70,241
Share-based payment expenses recognized	-	-	-	1,606	-	-	-	-	-	-	1,606
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(9)	9	-	9	-
BALANCE AT DECEMBER 31, 2020	63,192	\$ 631,921	\$ -	\$ 415,180	\$ 74,098	\$ 402	\$ 1,064,785	\$ (14)	\$ (1,086)	\$ (1,100)	\$ 2,185,286

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

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax for the year	\$ 1,017,107	\$ 243,745
Adjustments for:		
Depreciation expense	69,402	57,504
Amortization expense	27,750	21,123
Expected credit loss (reversed)/recognized on accounts receivable	(605)	1,666
Finance costs	1,022	1,370
Interest income	(774)	(1,074)
Share-based payment expenses recognized	1,606	5,146
Write-down of inventories/(Reversal of write-down of inventories)	4,888	(17,803)
Net loss/(gain) on foreign currency exchange	1,705	(2,138)
Changes in operating assets and liabilities:		
Accounts receivable	(490,445)	(203,081)
Other receivables	(11,410)	(11,956)
Inventories	(685,801)	(118,465)
Net defined benefit assets	-	(51)
Prepayments	(9,261)	5,285
Other current assets	242	(1,321)
Accounts payable	324,314	293,951
Other payables	12,737	16,957
Refund liabilities	(24,513)	16,156
Accrued compensation of employees and remuneration of directors	76,486	2,932
Other current liabilities	995	(4,770)
Net defined benefit liabilities	(608)	(567)
Contract liabilities	6,411	2,259
Cash generated from operations	321,248	306,868
Interest received	626	1,212
Interest paid	(1,358)	(1,748)
Income tax paid	(35,188)	(76,965)
Net cash generated from operating activities	285,328	229,367
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	16	-
Purchase of financial assets at amortized cost	1,138	199,989
Purchase of property, plant and equipment	(68,560)	(52,942)
Increase in refundable deposits	(2,091)	(1,604)
Purchase of other intangible assets	(15,062)	(15,483)
Net cash (used in)/generated from investing activities	(84,559)	129,960
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	119,870	122,960
Decrease in short-term borrowings	(181,190)	(153,840)

(Continued)

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Decrease in guarantee deposits	\$ (657)	\$ (940)
Repayment of the principal portion of lease liabilities	(24,283)	(22,090)
Cash dividends paid	(120,185)	(90,564)
Proceeds from the issuance of ordinary shares under employee share options	<u>70,241</u>	<u>89,500</u>
Net cash used in financing activities	<u>(136,204)</u>	<u>(54,974)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>651</u>	<u>(375)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	65,216	303,978
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>779,049</u>	<u>475,071</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 844,265</u>	<u>\$ 779,049</u>

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

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Richwave Technology Corp. (the “Company”) was incorporated in the Republic of China (ROC) on May 25, 1979. The Company is mainly engaged in the design and sale of integrated circuits (ICs) for wireless communication products. The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since November 2015.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

Richwave Technology Corp. and its subsidiaries are collectively referred to as the “Group” hereinafter.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on February 25, 2021.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies:

- 1) Amendments to IFRS 3 “Definition of a Business”

The Group applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To determine whether an acquired process is substantive, different criteria apply, depending on whether there are outputs at the acquisition date. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

- 2) Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

Upon retrospective application of the amendments, the Group complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

3) Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information.

4) Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19.

b. The IFRSs endorsed by the FSC for application starting from 2021

New, Revised or Amended Standards and Interpretations	Effective Date Announced by International Accounting Standards Board (IASB)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

As of the date the accompanying consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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	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 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January

1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the date the accompanying consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the consolidated financial statements in Chinese shall prevail.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit assets which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for and asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period,
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to rescheduled payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized to issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 11 and Table 1 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company's foreign operations (including subsidiaries in other countries or those that use currencies different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed by the Group at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: investments in equity instruments at FVTOCI and financial assets at amortized cost.

i. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and accounts receivable at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime Expected Credit Losses (ECLs) for accounts receivable.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of the financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

l. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

The sale of goods is recognized as revenue when the goods are delivered to the customers' specific location or when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

m. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

2) The Group as lessee

Except for short-term leases and low-value asset leases which are recognized as expenses on a straight-line basis over the lease terms, the Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If implicit rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

n. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

p. Share-based payment arrangements (employee share options)

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures and personal training expenditure to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Critical Accounting Judgments

a. Lease terms

In determining a lease term, the Group considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within the control of the Group occurs.

Key Sources of Estimation Uncertainty

a. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 907	\$ 753
Checking accounts and demand deposits	443,358	778,296
Cash equivalents		
Time deposits with original maturities of 3 months or less	<u>400,000</u>	<u>-</u>
	<u>\$ 844,265</u>	<u>\$ 779,049</u>

The market rate intervals of cash and time deposits with original maturities of 3 months or less in the bank at the end of the year were as follows:

	December 31	
	2020	2019
Bank balance	0.01%-0.30%	0.01%-0.38%
Time deposits with original maturities of 3 months or less	0.37%-0.405%	-

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
<u>Current</u>		
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)		
Domestic investments		
Listed shares - ordinary shares	\$ -	\$ 11

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
<u>Non-current</u>		
Time deposits with original maturities of more than 1 year	\$ 3,000	\$ 4,138

- a. The interest rates of restricted time deposits with original maturities of more than 1 year were approximately 0.76% and 1.015% per annum as of December 31, 2020 and 2019, respectively.
- b. Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2020	2019
<u>Accounts receivable (Note 21)</u>		
At amortized cost		
Gross carrying amount	\$ 1,254,599	\$ 764,224
Less: Allowance for impairment loss	(1,061)	(1,666)
	<u>\$ 1,253,538</u>	<u>\$ 762,588</u>
<u>Other receivables</u>		
Income tax refund receivable	\$ 29,239	\$ 17,829
Others	179	31
	<u>\$ 29,418</u>	<u>\$ 17,860</u>

Accounts receivable at amortized cost

The average credit period on sales of goods was 30 to 60 days. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off an accounts receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

December 31, 2020

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 180 Days Past Due	Over 180 Days Past Due	Total
Expected credit loss rate	0.08%	1.16%	3.02%	-	-	-	
Gross carrying amount	\$ 1,245,235	\$ 6,403	\$ 29	\$ 11	\$ 2,921	\$ -	\$ 1,254,599
Loss allowance (Lifetime ECLs)	(985)	(75)	(1)	-	-	-	(1,061)
Amortized cost	<u>\$ 1,244,250</u>	<u>\$ 6,328</u>	<u>\$ 28</u>	<u>\$ 11</u>	<u>\$ 2,921</u>	<u>\$ -</u>	<u>\$ 1,253,538</u>

December 31, 2019

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 180 Days Past Due	Over 180 Days Past Due	Total
Expected credit loss rate	0.06%	0.88%	1.77%	-	-	100%	
Gross carrying amount	\$ 708,518	\$ 43,275	\$ 6,846	\$ 3,590	\$ 1,248	\$ 747	\$ 764,224
Loss allowance (Lifetime ECLs)	(416)	(382)	(121)	-	-	(747)	(1,666)
Amortized cost	<u>\$ 708,102</u>	<u>\$ 42,893</u>	<u>\$ 6,725</u>	<u>\$ 3,590</u>	<u>\$ 1,248</u>	<u>\$ -</u>	<u>\$ 762,558</u>

The movements of the loss allowance of accounts receivable were as follows:

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 1,666	\$ -
Add: Net remeasurement of loss allowance	-	1,666
Less: Amounts recovered	<u>(605)</u>	<u>-</u>
Balance at December 31	<u>\$ 1,061</u>	<u>\$ 1,666</u>

10. INVENTORIES

	December 31	
	2020	2019
Raw materials	\$ 661,286	\$ 319,148
Work in progress	505,515	195,236
Finished goods	113,619	84,634
Merchandise	<u>-</u>	<u>489</u>
	<u>\$1,280,420</u>	<u>\$ 599,507</u>

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2020	2019
Cost of inventories sold	\$ 3,436,739	\$ 1,773,281
Inventory write-downs (reversed)	4,888	(17,803)
Loss on disposal of inventories	<u>9,946</u>	<u>9,399</u>
	<u>\$ 3,451,573</u>	<u>\$ 1,764,877</u>

Inventory write-downs were reversed as a result of the selling of inventories that had been written down.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2020	2019	
Richwave Technology Corp.	Minerva Technology Co.	Investment	100	100	1, 2
Minerva Technology Co.	AEGIS LINK CORP.	Selling and marketing	100	100	1, 2

Remark:

- 1) In December 2018, the Company established Minerva Technology Co. in Belize with an investment of USD550 thousand, and reinvested in and established AEGIS LINK CORP. in USA with USD550 thousand in January 2019.
- 2) Minerva Technology Co. and AEGIS LINK CORP. were recognized based on audited financial statements.

12. PROPERTY, PLANT AND EQUIPMENT

	Testing Equipment	Computer Equipment	Other Equipment	Total
<u>Cost</u>				
Balance at January 1, 2019	\$ 65,884	\$ 10,931	\$ 65,157	\$ 141,972
Additions	23,676	2,730	30,894	57,300
Transfers from prepayments	483	-	826	1,309
Disposals	<u>(3,338)</u>	<u>(3,716)</u>	<u>(21,454)</u>	<u>(28,508)</u>
Balance at December 31, 2019	<u>\$ 86,705</u>	<u>\$ 9,945</u>	<u>\$ 75,423</u>	<u>\$ 172,073</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2019	\$ 17,601	\$ 5,815	\$ 32,795	\$ 56,211
Depreciation expense	11,422	2,698	21,138	35,258
Disposals	<u>(3,338)</u>	<u>(3,716)</u>	<u>(21,454)</u>	<u>(28,508)</u>
Balance at December 31, 2019	<u>\$ 25,685</u>	<u>\$ 4,797</u>	<u>\$ 32,479</u>	<u>\$ 62,961</u>
Carrying amount at December 31, 2019	<u>\$ 61,020</u>	<u>\$ 5,148</u>	<u>\$ 42,944</u>	<u>\$ 109,112</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 86,705	\$ 9,945	\$ 75,423	\$ 172,073
Additions	26,813	6,091	29,875	62,779
Transfers from prepayments	2,006	-	-	2,006
Disposals	<u>(5,428)</u>	<u>(2,966)</u>	<u>(22,435)</u>	<u>(30,829)</u>
Balance at December 31, 2020	<u>\$ 110,096</u>	<u>\$ 13,070</u>	<u>\$ 82,863</u>	<u>\$ 206,029</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2020	\$ 25,685	\$ 4,797	\$ 32,479	\$ 62,961
Depreciation expense	15,774	2,671	26,681	45,126
Disposals	<u>(5,428)</u>	<u>(2,966)</u>	<u>(22,435)</u>	<u>(30,829)</u>
Balance at December 31, 2020	<u>\$ 36,031</u>	<u>\$ 4,502</u>	<u>\$ 36,725</u>	<u>\$ 77,258</u>
Carrying amount at December 31, 2020	<u>\$ 74,065</u>	<u>\$ 8,568</u>	<u>\$ 46,138</u>	<u>\$ 128,771</u>

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Testing equipment	6 years
Computer equipment	4 years
Other equipment	3-5 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amount</u>		
Buildings	\$ 33,002	\$ 32,657
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	\$ 24,621	\$ 14,677
Depreciation charge for right-of-use assets		
Buildings	\$ 24,276	\$ 22,246
Income from the subleasing of right-of-use assets (presented in other income)	\$ (641)	\$ (495)

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amount</u>		
Current	\$ 17,030	\$ 19,778
Non-current	\$ 15,960	\$ 12,503

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	1.50%	1.50%

c. Material leasing activities and terms

The Group leases buildings for the use of plants, offices and parking spaces with lease terms of 1 to 3 years. The Group does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 3,111	\$ 5,088
Total cash outflow for leases	\$ (27,780)	\$ (27,662)

The Group's leases of certain parking spaces, offices and staff dormitories qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. OTHER INTANGIBLE ASSETS

	Computer Software	Specialized Techniques	Trademarks	Total
<u>Cost</u>				
Balance at January 1, 2019	\$ 39,988	\$ 2,488	\$ 295	\$ 42,771
Additions	20,135	-	-	20,135
Disposals	<u>(9,154)</u>	<u>-</u>	<u>-</u>	<u>(9,154)</u>
Balance at December 31, 2019	<u>\$ 50,969</u>	<u>\$ 2,488</u>	<u>\$ 295</u>	<u>\$ 53,752</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2019	\$ 19,908	\$ 1,339	\$ 295	\$ 21,542
Amortization expenses	20,948	175	-	21,123
Disposals	<u>(9,154)</u>	<u>-</u>	<u>-</u>	<u>(9,154)</u>
Balance at December 31, 2019	<u>\$ 31,702</u>	<u>\$ 1,514</u>	<u>\$ 295</u>	<u>\$ 33,511</u>
Carrying amount at December 31, 2019	<u>\$ 19,267</u>	<u>\$ 974</u>	<u>\$ -</u>	<u>\$ 20,241</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 50,969	\$ 2,488	\$ 295	\$ 53,752
Additions	26,060	-	-	26,060
Disposals	<u>(36,296)</u>	<u>-</u>	<u>-</u>	<u>(36,296)</u>
Balance at December 31, 2020	<u>\$ 40,733</u>	<u>\$ 2,488</u>	<u>\$ 295</u>	<u>\$ 43,516</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2020	\$ 31,702	\$ 1,514	\$ 295	\$ 33,511
Additions	27,600	150	-	27,750
Disposals	<u>(36,296)</u>	<u>-</u>	<u>-</u>	<u>(36,296)</u>
Balance at December 31, 2020	<u>\$ 23,006</u>	<u>\$ 1,664</u>	<u>\$ 295</u>	<u>\$ 24,965</u>
Carrying amount at December 31, 2020	<u>\$ 17,727</u>	<u>\$ 824</u>	<u>\$ -</u>	<u>\$ 18,551</u>

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-3 years
Specialized techniques	10 years
Trademarks	10 years

15. OTHER ASSETS

	December 31	
	2020	2019
<u>Current</u>		
Prepayments		
Prepaid expenses	\$ 11,740	\$ 2,949
Prepayment for purchases	<u>1,174</u>	<u>704</u>
	<u>\$ 12,914</u>	<u>\$ 3,653</u>
<u>Other current assets</u>		
Temporary payments	<u>\$ 5,180</u>	<u>\$ 5,422</u>

16. SHORT-TERM BORROWINGS

	December 31	
	2020	2019
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ -</u>	<u>\$ 59,960</u>

The effective interest rate of the line of credit borrowings was 2.62% per annum at December 31 2019.

17. ACCOUNTS PAYABLE

	December 31	
	2020	2019
<u>Accounts payable</u>		
Generated from operating activities	<u>\$ 969,310</u>	<u>\$ 643,353</u>

The average credit period was 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

18. OTHER LIABILITIES

	December 31	
	2020	2019
<u>Current</u>		
Other payables		
Payables for salaries and bonuses	\$ 44,671	\$ 37,418
Payables for software usage fee	15,825	4,827
Payables for purchases of equipment	7,913	7,438
Payables for research and design fee	7,838	9,238
Payables for freight cost	7,114	3,224
Payables for annual leave	7,027	5,837
Payables for testing fee	5,506	6,798
Others	<u>33,687</u>	<u>30,748</u>
	<u>\$ 129,581</u>	<u>\$ 105,528</u>
Refund liabilities (Note 21)	<u>\$ 85,093</u>	<u>\$ 109,902</u>
Other liabilities		
Receipts under custody	\$ 3,033	\$ 2,117
Temporary receipts	108	29
Contract liabilities (Note 21)	<u>9,075</u>	<u>2,664</u>
	<u>\$ 12,216</u>	<u>\$ 4,810</u>

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 13,679	\$ 12,546
Fair value of plan assets	<u>(14,453)</u>	<u>(13,320)</u>
Net defined benefit assets	<u>\$ (774)</u>	<u>\$ (774)</u>

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit (Assets) Liabilities
Balance at January 1, 2019	<u>\$ 11,791</u>	<u>\$ (12,514)</u>	<u>\$ (723)</u>
Net interest expense (income)	<u>133</u>	<u>(151)</u>	<u>(18)</u>
Recognized in profit or loss	<u>133</u>	<u>(151)</u>	<u>(18)</u>
Remeasurement			
Return on plan assets	-	(383)	(383)
Actuarial loss - changes in demographic assumptions	57	-	57
Actuarial gain - changes in financial assumptions	514	-	514
Actuarial loss - experience adjustments	<u>379</u>	<u>-</u>	<u>379</u>
Recognized in other comprehensive income	<u>950</u>	<u>(383)</u>	<u>567</u>
Contributions from the employer	<u>-</u>	<u>(600)</u>	<u>(600)</u>
Benefits paid	<u>(328)</u>	<u>328</u>	<u>-</u>
Balance at December 31, 2019	<u>12,546</u>	<u>(13,320)</u>	<u>(774)</u>
Net interest expense (income)	<u>94</u>	<u>(102)</u>	<u>(8)</u>
Recognized in profit or loss	<u>94</u>	<u>(102)</u>	<u>(8)</u>
Remeasurement			
Return on plan assets	-	(431)	(431)
Actuarial loss - changes in demographic assumptions	44	-	44
Actuarial gain - changes in financial assumptions	353	-	353
Actuarial loss - experience adjustments	<u>642</u>	<u>-</u>	<u>642</u>
Recognized in other comprehensive income	<u>1,039</u>	<u>(431)</u>	<u>608</u>
Contributions from the employer	<u>-</u>	<u>(600)</u>	<u>(600)</u>
Benefits paid	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 13,679</u>	<u>\$ (14,453)</u>	<u>\$ (774)</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2020	2019
General and administrative expenses	\$ (1)	\$ (2)
Research and development expenses	<u>(7)</u>	<u>(16)</u>
	<u>\$ (8)</u>	<u>\$ (18)</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	2019
Discount rate(s)	0.50%	0.75%
Expected rate(s) of salary increase	3.00%	3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would (decrease) increase as follows:

	December 31	
	2020	2019
Discount rate(s)		
0.25% increase	\$ (353)	\$ (346)
0.25% decrease	\$ 366	\$ 359
Expected rate(s) of salary increase		
0.25% increase	\$ 351	\$ 346
0.25% decrease	\$ (341)	\$ (335)

The above sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
Expected contributions to the plan for the next year	\$ 600	\$ 600
Average duration of the defined benefit obligation	10.4 years	11.2 years

20. EQUITY

a. Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands of shares)	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands of shares)	<u>63,192</u>	<u>61,878</u>
Shares issued and fully paid	<u>\$ 631,921</u>	<u>\$ 618,781</u>

A holder of ordinary shares issued with par value of \$10 is entitled to vote and to receive dividends.

The authorized shares include 10,000 thousand shares reserved for the exercise of employee share options.

The change in the Company's share capital is mainly due to the exercise of employee share options.

b. Capital collected in advance

	December 31	
	2020	2019
Capital collected in advance	<u>\$ -</u>	<u>\$ 730</u>

Capital collected in advance is mainly due to the proceeds received from the exercise of employee share options.

c. Capital surplus

	December 31	
	2020	2019
Maybe used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	\$ 330,128	\$ 272,297
<u>May be used to offset a deficit</u>		
Issuance of ordinary shares (exercised or expired employee share options)	33,034	28,589
<u>May not be used for any purpose</u>		
Employee share options	<u>52,018</u>	<u>54,857</u>
	<u>\$ 415,180</u>	<u>\$ 355,743</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

d. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's Articles of Incorporation ("Articles"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. Refer to Note 22(g) for the policies on the distribution of compensation of employees and remuneration of directors.

The Company's Articles also stipulate a balanced and stable dividends policy whereby share and cash dividends are distributed based on the Company's profitability, financial structure and future development plans. Dividends may be distributed in form of cash or shares taking into consideration future profitability and funding needs, out of which the total cash dividends paid in any given year shall be at least 10% of the total dividends distributed.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficits and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018, which were approved in the shareholders' meetings on May 29, 2020 and May 24, 2019, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2019	2018
Legal reserve	\$ 19,074	\$ 17,719
Special reserve	\$ 328	\$ 52
Cash dividends	\$ 120,185	\$ 90,564
Cash dividends per share (NT\$)	\$ 1.94	\$ 1.50

The appropriation of earnings for 2020, which were proposed by the Company's board of directors on February 25, 2021, were as follows:

	For the Year Ended December 31, 2020
Legal reserve	\$ 86,572
Special reserve	\$ 699
Cash dividends	\$ 252,768
Share dividends	\$ 252,768
Cash dividends per share (NT\$)	\$ 4.00
Share dividends per share (NT\$)	\$ 4.00

The appropriation of earnings for 2020 will be resolved by the shareholders in their meeting to be held on May 27, 2021.

e. Special reserve

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 74	\$ 22
Appropriations in respect of debits to other equity items	<u>328</u>	<u>52</u>
Balance at December 31	<u>\$ 402</u>	<u>\$ 74</u>

f. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (374)	\$ (46)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	<u>(712)</u>	<u>(328)</u>
Balance at December 31	<u>\$ (1,086)</u>	<u>\$ (374)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (28)	\$ (28)
Recognized for the year		
Unrealized gain - equity instruments	5	-
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>9</u>	<u>-</u>
Balance at December 31	<u>\$ (14)</u>	<u>\$ (28)</u>

21. REVENUE

a. Contract revenue from customers

	For the Year Ended December 31	
	2020	2019
Revenue from the sale of goods	\$ 5,349,788	\$ 2,748,458
Royalty revenue	<u>412</u>	<u>1,097</u>
	<u>\$ 5,350,200</u>	<u>\$ 2,749,555</u>

b. Contract information

As wireless communication products are innovative and the prices are highly volatile, the discount is estimated at the most likely amount based on the range of discounts given in the past. Based on conventional business practices, the Group accepts the return of goods with full refunds, and estimates the discount rate based on most likely amount from past experience, and recognizes the refund liabilities accordingly.

c. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable (Note 9)	\$ <u>1,253,538</u>	\$ <u>762,558</u>	\$ <u>567,732</u>
Contract liabilities (Note 18)			
Sale of goods	\$ <u>9,075</u>	\$ <u>2,664</u>	\$ <u>405</u>

Revenue in the current year that was recognized from the contract liabilities at the beginning of the year is as follows:

	For the Year Ended December 31	
	2020	2019
From contract liabilities at the beginning of the year		
Sale of goods	\$ <u>2,515</u>	\$ <u>398</u>

d. Disaggregation of revenue

	For the Year Ended December 31	
	2020	2019
<u>Type of goods or services</u>		
WIFI products	\$ 4,963,566	\$ 2,446,857
Mobile communication products	185,650	72,630
FM tuners	119,252	185,767
Wireless audio and video products	55,869	43,389
Others	<u>25,863</u>	<u>912</u>
	\$ <u>5,350,200</u>	\$ <u>2,749,555</u>

22. NET PROFIT

a. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposits	\$ 727	\$ 1,027
Deposit interest	<u>47</u>	<u>47</u>
	\$ <u>774</u>	\$ <u>1,074</u>

b. Other income

	For the Year Ended December 31	
	2020	2019
Others	\$ <u>3,089</u>	\$ <u>506</u>

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Net foreign exchange gains	\$ 6,314	\$ 305
Others	<u>-</u>	<u>(4)</u>
	<u>\$ 6,314</u>	<u>\$ 301</u>

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 636	\$ 886
Interest on lease liabilities	<u>386</u>	<u>484</u>
	<u>\$ 1,022</u>	<u>\$ 1,370</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
An analysis of depreciation by function		
Operating costs	\$ 2,333	\$ -
Selling and marketing expenses	5,908	847
General and administrative expenses	8,233	26,287
Research and development expenses	<u>52,928</u>	<u>30,370</u>
	<u>\$ 69,402</u>	<u>\$ 57,504</u>
An analysis of amortization by function		
Selling and marketing expenses	\$ 242	\$ 363
General and administrative expenses	941	1,241
Research and development expenses	<u>26,567</u>	<u>19,519</u>
	<u>\$ 27,750</u>	<u>\$ 21,123</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Post-employment benefits (Note 19)		
Defined contribution plans	\$ 15,021	\$ 13,080
Defined benefit plans	<u>(8)</u>	<u>(18)</u>
	15,013	13,062
Share-based payments		
Equity-settled	1,606	5,146
Other employee benefits	<u>467,717</u>	<u>336,295</u>
Total employee benefits expense	<u>\$ 484,336</u>	<u>\$ 354,503</u>

(Continued)

	For the Year Ended December 31	
	2020	2019
An analysis of employee benefits expense by function		
Selling and marketing expenses	\$ 71,002	\$ 54,112
General and administrative expenses	110,447	72,606
Research and development expenses	<u>302,887</u>	<u>227,785</u>
	<u>\$ 484,336</u>	<u>\$ 354,503</u>
		(Concluded)

g. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at rates no less than 8% and no higher than 1%, respectively, of net profit before income tax, compensation of employees and remuneration of directors.

The compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on February 25, 2021 and February 27, 2020, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Compensation of employees	8%	8%
Remuneration of directors	1%	1%

Amount

	For the Year Ended December 31			
	2020		2019	
	Cash	Shares	Cash	Shares
Compensation of employees	\$ 89,416	\$ -	\$ 21,428	\$ -
Remuneration of directors	11,177	-	2,679	-

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2020	2019
Foreign exchange gains	\$ 47,274	\$ 23,916
Foreign exchange losses	<u>(40,960)</u>	<u>(23,611)</u>
Net gain on foreign currency exchange	<u>\$ 6,314</u>	<u>\$ 305</u>

23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 165,965	\$ 48,625
Income tax on unappropriated earnings	-	3,424
Adjustments for prior year	(18,110)	423
Deferred tax		
In respect of the current year	3,490	536
Adjustments for prior year	<u>(454)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 150,891</u>	<u>\$ 53,008</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax	<u>\$ 1,017,107</u>	<u>\$ 243,745</u>
Income tax expense calculated at the statutory rate (20%)	\$ 203,421	\$ 48,749
Nondeductible expense in determining taxable income	765	520
Unrecognized deductible temporary differences	(454)	(108)
Income tax on unappropriated earnings	-	3,424
Investment tax credits	(34,731)	-
Adjustments for prior year' tax	<u>(18,110)</u>	<u>423</u>
Income tax expense recognized in profit or loss	<u>\$ 150,891</u>	<u>\$ 53,008</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Company only deducts the amount of reinvestment in capital expenditure from the unappropriated earnings.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	\$ <u>122</u>	\$ <u>113</u>

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax liabilities		
Income tax payable	\$ <u>141,236</u>	\$ <u>28,569</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Refund liabilities	\$ 21,980	\$ (4,962)	\$ -	\$ 17,018
Defined benefit plans	1,552	-	122	1,674
Payable for annual leave	1,167	238	-	1,405
Loss on investments accounted for using the equity method	-	472	-	472
Allowance for impairment loss	47	-	-	47
Unrealized foreign exchange loss	-	17	-	17
Unrealized write-downs of inventories	14,564	978	-	15,542
Others	<u>417</u>	<u>(139)</u>	<u>-</u>	<u>278</u>
	\$ <u>39,727</u>	\$ <u>(3,396)</u>	\$ <u>122</u>	\$ <u>36,453</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gain	\$ <u>360</u>	\$ <u>(360)</u>	\$ <u>-</u>	\$ <u>-</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Refund liabilities	\$ 18,675	\$ 3,305	\$ -	\$ 21,980
Defined benefit plans	1,439	-	113	1,552
Payable for annual leave	1,038	129	-	1,167
Allowance for impairment loss	47	-	-	47
Unrealized foreign exchange loss	(104)	104	-	-
Unrealized write-downs of inventories	18,125	(3,561)	-	14,564
Others	<u>570</u>	<u>(153)</u>	<u>-</u>	<u>417</u>
	<u>\$ 39,790</u>	<u>\$ (176)</u>	<u>\$ 113</u>	<u>\$ 39,727</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gain	<u>\$ -</u>	<u>\$ 360</u>	<u>\$ -</u>	<u>\$ 360</u>

e. Income tax assessments

The Company's tax returns through 2018, except 2017, have been assessed by the tax authorities.

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2020	2019
Basic earnings per share	<u>\$ 13.82</u>	<u>\$ 3.13</u>
Diluted earnings per share	<u>\$ 13.67</u>	<u>\$ 3.04</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

<u>Net Profit for the Year</u>		<u>For the Year Ended December 31</u>	
		2020	2019
Earnings used in computation of basic and diluted earnings per share		<u>\$ 866,216</u>	<u>\$ 190,737</u>
Weighted average number of ordinary shares used in computation of basic earnings per share		62,656	61,034
Effect of potentially dilutive ordinary shares:			
Employee share options		453	1,617
Compensation of employees		<u>247</u>	<u>184</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share		<u>63,356</u>	<u>62,835</u>

Since the Group may settle compensation of employees in cash or shares, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan

The Company issued 3,156 units of employee share options on July 5, 2016. On the grant date, each option entitles the holder with the right to subscribe for one thousand ordinary share of the Company at the exercise price of NT\$69.9 per share. Subsequently, the exercise price will be adjusted to NT\$56.6 per share based on the formula as stipulated in the plan. The options are granted to the employees of the Company and its subsidiaries that meet certain criteria. The expected lifetime of the options is 4 years. The options are exercisable by the qualified employees at 50% after the second year from the grant date, and another two tranches of 25% exercisable after third and fourth years from the grant date. The vesting period will end on July 5, 2020.

Information on outstanding employee share options is as follows:

	For the Year Ended December 31			
	2020		2019	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (NT\$)
Balance at January 1	1,512	\$ 56.6	3,156	\$ 57.7
Options forfeited	(7)	56.6	(69)	57.3
Options expired	(264)	56.6	-	-
Options exercised	<u>(1,241)</u>	56.6	<u>(1,575)</u>	56.8
Balance at December 31	<u>-</u>		<u>1,512</u>	56.6
Options exercisable, end of the year	<u>-</u>		<u>723</u>	
Weighted - average fair value of options granted (NT\$)	<u>\$ 18.98</u>		<u>\$ 19.11</u>	

As of the balance sheet date, information about employee share options outstanding was as follows:

	For the Year Ended December 31	
	2020	2019
Range of exercise price (NT\$)	\$ 56.6	\$ 56.6
Weighted average remaining contractual life (in years)	-	0.5 years

The options granted by the Company are priced using the Black-Scholes pricing model and the related inputs to the model are as follows:

Grant-date share price	NT\$69.9
Expected volatility	37.90%, 37.20% and 36.32%
Risk-free interest rate	0.47%, 0.49% and 0.50%
Expected dividend yield rate	-
Expected life	3 years, 3.5 years and 4 years

Compensation costs recognized were \$1,606 thousand and \$5,146 thousand for the years ended December 31, 2020 and 2019, respectively.

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

The key management personnel of the Group review the capital structure on regular basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders and the number of new shares issued.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

Key management personnel of the Group consider the carrying amounts of financial assets and financial liabilities in the consolidated financial statements to approximate their fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Listed shares	\$ <u>11</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>11</u>

There were no transfers between Levels 1 and 2 in the current and prior years.

c. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 2,140,315	\$ 1,571,608
Financial assets at FVTOCI	-	11

Financial liabilities

Amortized cost (2)	1,204,387	838,770
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- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, accounts receivable, other receivables, financial assets at amortized cost and refundable deposits.
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, accounts payable, accrued compensation of employees and remuneration of directors, other payables, and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments included accounts receivable, accounts payable, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

The Group did not use derivative financial instruments to minimize the effect of these risks, but it uses natural hedging from operations and borrowings denominated in foreign currencies to mitigate the impact of foreign currency risk.

The corporate treasury function reports monthly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency risk (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Group has foreign currency denominated sales and purchases, which expose the Group to foreign currency risk. Approximately 56% of the Group's sales is denominated in currencies other than the functional currency of the entity in the Group making the sale, whilst almost 83% of costs is denominated in currencies other than the functional currency of the entity in the Group.

Sensitivity analysis

The Group was mainly exposed to the USD.

The following table details the Group's sensitivity to a 2% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange

rates is 2%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges and adjusts their translation at the end of the year for a 2% change in foreign currency rates. A positive (negative) number below indicates an increase in pre-tax profit associated with New Taiwan dollar strengthening (weakening) 2% against the relevant currency.

	USD Impact	
	For the Year Ended	
	December 31	
	2020	2019
Profit or (loss)	\$ 4,843	\$ (456)

This was mainly attributable to the exposure on outstanding accounts receivable, cash and cash equivalents and accounts payable denominated in USD that were not hedged at the end of the year.

The Group's sensitivity to foreign currency increased during the current year mainly due to increase in the accounts receivable denominated in USD.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetites ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 153,000	\$ 4,138
Financial liabilities	32,990	92,241
Cash flow interest rate risk		
Financial assets	693,358	778,296

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. A 0.25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25 basis point higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$1,733 thousand and \$1,946 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of dealing only with reputable parties and, where necessary, obtains appropriate guarantees to mitigate the risk of financial losses resulting from the default of payment. The Group assesses the creditability of the key customers based on financial information available and mutual transaction records. The Group continuously monitors the credit risk and credit rating of the counterparties, distributes the total transaction amount to customers with sound credit ratings, and controls the credit risk by ensuring that each counterparty's credit limit is reviewed and approved by the risk management committee.

The Group assesses the financial position of customers with outstanding accounts receivable balances regularly and requests for collateral if necessary.

The Group's concentration of credit risk is mainly related to the top five largest customers, which represents 86% and 77% of total accounts receivable as of December 31, 2020 and 2019, respectively.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. Refer to (b) below for the amount of unsecured short-term bank loan facilities of the Group as of December 31, 2020 and 2019:

a) Liquidity and interest risk rate table for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, financial liabilities with a repayment on demand clause are included in the earliest time band regardless of the probability of the creditors choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	\$ 441,332	\$ 583,265	\$ 179,790	\$ -
Lease liabilities	-	5,938	11,670	16,189
Refund liabilities	-	-	85,093	-
	<u>\$ 441,332</u>	<u>\$ 589,203</u>	<u>\$ 276,553</u>	<u>\$ 16,189</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	\$ 17,608	\$ 16,189	\$ -

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	\$ 363,196	\$ 356,759	\$ 118,815	\$ -
Lease liabilities	-	6,375	14,708	12,053
Refund liabilities	-	-	109,902	-
	<u>\$ 363,196</u>	<u>\$ 363,134</u>	<u>\$ 243,425</u>	<u>\$ 12,053</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	\$ 21,083	\$ 12,053	\$ -

The amounts included above for floating interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in floating interest rates differ from those estimates of interest rates determined at the end of the year.

b) Financing facilities

	December 31	
	2020	2019
Unsecured bank loan facilities		
Amount used	\$ -	\$ 59,960
Amount unused	<u>142,400</u>	<u>209,940</u>
	<u>\$ 142,400</u>	<u>\$ 269,900</u>

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows.

a. Remuneration of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 30,809	\$ 28,351
Post-employment benefits	864	779
Share-based payments	<u>115</u>	<u>419</u>
	<u>\$ 31,788</u>	<u>\$ 29,549</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for customs import goods tax and performance guarantee:

	December 31	
	2020	2019
Pledged deposits (classified as financial assets at amortized cost)	\$ <u>3,000</u>	\$ <u>4,138</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at December 31, 2020 and 2019 were as follows:

a. Significant commitments

Under a sales agreement, the Group shall pay royalties at a certain percentage of net sales of certain products. Royalty expenses amounted to \$1,599 thousand and \$2,652 thousand for the years ended December 31, 2020 and 2019, respectively.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities of the entities in the Group denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 38,854	28.48	\$ 1,106,563
<u>Financial liabilities</u>			
Monetary items			
USD	30,352	28.48	864,425

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 17,953	29.98	\$ 538,231
<u>Financial liabilities</u>			
Monetary items			
USD	18,713	29.98	561,016

The significant unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31, 2020		For the Year Ended December 31, 2019	
Foreign Currency	Exchange Rate	Net Foreign Exchange Losses	Exchange Rate	Net Foreign Exchange Gains
USD	28.48	\$ <u>(84)</u>	29.98	\$ <u>2,333</u>

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries, associates, and joint ventures): None
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- 9) Trading in derivative instruments: None

- 10) Intercompany relationships and significant intercompany transactions: None
 - 11) Information on investees (Table 1)
- b. Information on investees: Table 1
 - c. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: None
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
 - d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None

33. SEGMENT INFORMATION

The Group is considered a single operating segment. Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group is currently engaged in the design and sale of the wireless communication products, and its operating segment's profit or loss, assets and liabilities were measured on the same basis as the consolidated financial statements, please refer to accompanying consolidated financial statements. However, the Group's other overall information is disclosed as follows:

- a. Main products analysis of the Group, please refer to Note 21

b. Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets are detailed below:

	External Revenue		Non-Current Assets	
	For the Year Ended		December 31	
	December 31		December 31	
	2020	2019	2020	2019
Taiwan	\$ 1,948,871	\$ 1,345,205	\$ 185,152	\$ 162,591
China	2,927,892	1,019,685	-	-
Korea	304,017	300,732	-	-
Others	<u>169,420</u>	<u>83,933</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,350,200</u>	<u>\$ 2,749,555</u>	<u>\$ 185,152</u>	<u>\$ 162,591</u>

Non-current assets exclude deferred tax assets, net defined benefit assets, refundable deposits and financial assets at amortized cost.

c. Information about major customers (represents more than 10% of revenue)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
Customer A (Note 1)	\$ 1,885,769	35	\$ 1,287,612	47
Customer C (Note 1)	755,119	14	NA (Note 2)	-
Customer D (Note 1)	677,758	13	NA (Note 2)	-

Note 1: Revenue from Wifi products.

Note 2: Revenue accounting for less than 10% of the Group's revenue.

TABLE 1

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Loss of the Investee	Share of Loss	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
Richwave Technology Corp.	Minerva Technology Co.	Belize	Investment	\$ 16,940 (USD 550 thousand)	\$ 16,940 (USD 550 thousand)	-	100	\$ 13,494	\$ (88)	\$ (88)	The Group's subsidiary
Minerva Technology Co.	AEGIS LINK CORP.	USA	Selling and marketing	15,428 (USD 500 thousand)	15,428 (USD 500 thousand)	-	100	12,059	(89)	(89)	The Group's subsidiary

V. Parent Company-Only Financial Statement for the Most Recent Fiscal Year, Certified by the CPA

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Richwave Technology Corp.

Opinion

We have audited the accompanying parent company only financial statements of Richwave Technology Corp. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2020 and 2019, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' 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 Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 parent company only financial statements for the year ended December 31, 2020. 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, and we do not provide a separate opinion on these matters. The key audit matter of the Company's parent company only financial statements is described as follows:

Revenue Recognition

According to auditing standards in the Republic of China, there is an inherent risk of fraud in revenue recognition. Management may be under pressure to achieve their targets and attempt to inflate sales figures. In the current year, the shipments of the Company exceeded the original credit limit given, and the shipments were approved by means of temporary credit limit, giving rise to the risk of inflated sales. Therefore, revenue recognition has been identified as a key audit matter for the year ended December 31, 2020. In response to the aforementioned key audit matter, we understood the Company's internal controls on the approval of sales orders and its delivery procedures, tested the operating effectiveness of these controls, selected samples of and tested the validity of occurrence of the sales transactions, checked for discrepancies between the counterparties of the sales transactions and the parties paying off the receivables, as well as for abnormalities in the payments received after the reporting period. For the accounting policies on revenue recognition, please refer to Note 4 (1) of the parent company only financial statements.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is 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.

Auditors' 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 an auditors' 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 auditing standards generally accepted 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 auditing standards generally accepted 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 control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the parent company only financial information of 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 group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audits resulting in this independent auditors' report are Cheng-Chih Lin and Tung-Hui Yeh.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2021

Notice to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.

RICHWAVE TECHNOLOGY CORP.

PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 27)	\$ 830,771	23	\$ 764,755	32
Financial assets at fair value through other comprehensive income – current (Notes 7 and 27)	-	-	11	-
Accounts receivable, net (Notes 9, 21 and 27)	1,253,538	34	762,558	32
Other receivables (Notes 9 and 27)	29,418	1	17,860	1
Inventories (Note 10)	1,280,420	35	599,507	25
Prepayments (Note 15)	12,914	-	3,653	-
Other current assets (Note 15)	5,180	-	5,422	-
Total current assets	3,412,241	93	2,153,766	90
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 8, 27 and 29)	3,000	-	4,138	-
Investments accounted for using the equity method (Note 11)	13,494	-	14,294	1
Property, plant and equipment (Note 12)	128,771	4	109,112	5
Right-of-use assets (Notes 3, 5 and 13)	33,002	1	32,657	1
Other intangible assets (Note 14)	18,551	1	20,241	1
Deferred tax assets (Note 23)	36,453	1	39,727	2
Prepaid equipment	4,828	-	581	-
Refundable deposits (Note 27)	10,094	-	8,003	-
Net defined benefit assets - non-current (Note 19)	774	-	774	-
Total non-current assets	248,967	7	229,527	10
TOTAL	\$ 3,661,208	100	\$ 2,383,293	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 27)	\$ -	-	\$ 59,960	3
Accounts payable (Notes 17 and 27)	969,310	27	643,353	27
Accrued compensation of employees and remuneration of directors (Notes 22 and 27)	100,593	3	24,107	1
Other payables (Notes 18 and 27)	129,581	4	105,528	4
Current tax liabilities (Note 23)	141,236	4	28,569	1
Lease liabilities - current (Notes 3, 13 and 27)	17,030	-	19,778	1
Refund liabilities - current (Notes 18, 21 and 27)	85,093	2	109,902	5
Other current liabilities (Notes 18 and 21)	12,216	-	4,810	-
Total current liabilities	1,455,059	40	996,007	42
NON-CURRENT LIABILITIES				
Deferred tax liabilities - non-current (Note 23)	-	-	360	-
Lease liabilities - non-current (Notes 3, 13 and 27)	15,960	-	12,503	1
Guarantee deposits (Note 27)	4,903	-	5,822	-
Total non-current liabilities	20,863	-	18,685	1
Total liabilities	1,475,922	40	1,014,692	43
EQUITY (Note 20)				
Share capital				
Ordinary shares	631,921	17	618,781	26
Capital collected in advance	-	-	730	-
Total share capital	631,921	17	619,511	26
Capital surplus	415,180	12	355,743	15
Retained earnings				
Legal reserve	74,098	2	55,024	2
Special reserve	402	-	74	-
Unappropriated earnings	1,064,785	29	338,651	14
Total retained earnings	1,139,285	31	393,749	16
Other equity	(1,100)	-	(402)	-
Total equity	2,185,286	60	1,368,601	57
TOTAL	\$ 3,661,208	100	\$ 2,383,293	100

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

RICHWAVE TECHNOLOGY CORP.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share, in New Taiwan Dollars)

	2020		2019	
	Amount	%	Amount	%
NET REVENUE (Note 21)	\$ 5,350,200	100	\$ 2,749,555	100
OPERATING COSTS (Notes 10, 22 and 28)	<u>3,451,573</u>	<u>64</u>	<u>1,764,877</u>	<u>64</u>
GROSS PROFIT	<u>1,898,627</u>	<u>36</u>	<u>984,678</u>	<u>36</u>
OPERATING EXPENSES (Notes 19 and 22)				
Selling and marketing expenses	197,370	4	187,060	7
General and administrative expenses	179,899	3	151,183	5
Research and development expenses	513,922	10	399,253	15
Expected credit (gain) loss (Note 9)	<u>(605)</u>	<u>-</u>	<u>1,666</u>	<u>-</u>
Total operating expenses	<u>890,586</u>	<u>17</u>	<u>739,162</u>	<u>27</u>
PROFIT FROM OPERATIONS	<u>1,008,041</u>	<u>19</u>	<u>245,516</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Interest income	773	-	1,065	-
Other income	3,089	-	506	-
Other gains and losses	6,314	-	301	-
Finance costs	(1,022)	-	(1,370)	-
Share of loss of subsidiaries	<u>(88)</u>	<u>-</u>	<u>(2,273)</u>	<u>-</u>
Total non-operating income and expenses	<u>9,066</u>	<u>-</u>	<u>(1,771)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,017,107	19	243,745	9
INCOME TAX EXPENSE (Note 23)	<u>150,891</u>	<u>3</u>	<u>53,008</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>866,216</u>	<u>16</u>	<u>190,737</u>	<u>7</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	(608)	-	(567)	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	5	-	-	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 23)	122	-	113	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(712)</u>	<u>-</u>	<u>(328)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(1,193)</u>	<u>-</u>	<u>(782)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 865,023</u>	<u>16</u>	<u>\$ 189,955</u>	<u>7</u>

(Continued)

RICHWAVE TECHNOLOGY CORP.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share, in New Taiwan Dollars)

	2020		2019	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 24)				
Basic	\$ <u>13.82</u>		\$ <u>3.13</u>	
Diluted	\$ <u>13.67</u>		\$ <u>3.04</u>	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

RICHWAVE TECHNOLOGY CORP.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Share Capital				Retained Earnings			Other Equity		Total	Total Equity
	Number of Shares (In Thousands)	Ordinary Shares	Capital Collected in Advance	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Valuation Gain / (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translation of the Financial Statements of Foreign Operations		
BALANCE AT JANUARY 1, 2019	60,376	\$ 603,761	\$ -	\$ 276,847	\$ 37,305	\$ 22	\$ 256,703	\$ (28)	\$ (46)	\$ (74)	\$ 1,174,564
Appropriation of 2018 earnings											
Legal reserve	-	-	-	-	17,719	-	(17,719)	-	-	-	-
Special reserve	-	-	-	-	-	52	(52)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(90,564)	-	-	-	(90,564)
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	190,737	-	-	-	190,737
Other comprehensive loss for the year ended December 31, 2019 , net of income tax	-	-	-	-	-	-	(454)	-	(328)	(328)	(782)
Issuance of ordinary shares under employee share options	1,502	15,020	730	73,750	-	-	-	-	-	-	89,500
Share-based payment expenses recognized	-	-	-	5,146	-	-	-	-	-	-	5,146
BALANCE AT DECEMBER 31, 2019	61,878	618,781	730	355,743	55,024	74	338,651	(28)	(374)	(402)	1,368,601
Appropriation of 2019 earnings											
Legal reserve	-	-	-	-	19,074	-	(19,074)	-	-	-	-
Special reserve	-	-	-	-	-	328	(328)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(120,185)	-	-	-	(120,185)
Net profit for the year ended December 31, 2020	-	-	-	-	-	-	866,216	-	-	-	866,216
Other comprehensive loss for the year ended December 31, 2020 , net of income tax	-	-	-	-	-	-	(486)	5	(712)	(707)	(1,193)
Issuance of ordinary shares under employee share options	1,314	13,140	(730)	57,831	-	-	-	-	-	-	70,241
Share-based payment expenses recognized	-	-	-	1,606	-	-	-	-	-	-	1,606
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(9)	9	-	9	-
BALANCE AT DECEMBER 31, 2020	63,192	\$ 631,921	\$ -	\$ 415,180	\$ 74,098	\$ 402	\$ 1,064,785	\$ (14)	\$ (1,086)	\$ (1,100)	\$ 2,185,286

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

RICHWAVE TECHNOLOGY CORP.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax for the year	\$ 1,017,107	\$ 243,745
Adjustments for:		
Depreciation expense	69,402	57,504
Amortization expense	27,750	21,123
Expected credit loss (reversed)/recognized on accounts receivable	(605)	1,666
Finance costs	1,022	1,370
Interest income	(773)	(1,065)
Share-based payment expenses recognized	1,606	5,146
Share of loss of subsidiaries	88	2,273
Write-down of inventories/(Reversal of write-down of inventories)	4,888	(17,803)
Net loss/(gain) on foreign currency exchange	2,417	(1,810)
Changes in operating assets and liabilities:		
Accounts receivable	(490,445)	(203,081)
Other receivables	(11,410)	(11,956)
Inventories	(685,801)	(118,465)
Net defined benefit assets	-	(51)
Prepayments	(9,261)	5,285
Other current assets	242	(1,321)
Accounts payable	324,314	293,951
Other payables	12,737	16,957
Refund liabilities	(24,513)	16,156
Accrued compensation of employees and remuneration of directors	76,486	2,932
Other current liabilities	995	(4,770)
Net defined benefit liabilities	(608)	(567)
Contract liabilities	6,411	2,259
Cash generated from operations	322,049	309,478
Interest received	625	1,203
Interest paid	(1,358)	(1,748)
Income tax paid	(35,188)	(76,965)
Net cash generated from operating activities	286,128	231,968
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	16	-
Purchase of financial assets at amortized cost	1,138	199,989
Purchase of property, plant and equipment	(68,560)	(52,942)
Increase in refundable deposits	(2,091)	(1,604)
Purchase of other intangible assets	(15,062)	(15,483)
Net cash (used in)/generated from investing activities	(84,559)	129,960

(Continued)

RICHWAVE TECHNOLOGY CORP.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$ 119,870	\$ 122,960
Decrease in short-term borrowings	(181,190)	(153,840)
Decrease in guarantee deposits	(657)	(940)
Repayment of the principal portion of lease liabilities	(24,283)	(22,090)
Cash dividends paid	(120,185)	(90,564)
Proceeds from the issuance of ordinary shares under employee share options	<u>70,241</u>	<u>89,500</u>
Net cash used in financing activities	<u>(136,204)</u>	<u>(54,974)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>651</u>	<u>(375)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	66,016	306,579
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>764,755</u>	<u>458,176</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 830,771</u>	<u>\$ 764,755</u>

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

(Concluded)

RICHWAVE TECHNOLOGY CORP.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Richwave Technology Corp. (the “Company”) was incorporated in the Republic of China (ROC) on May 25, 1979. The Company is mainly engaged in the design and sale of integrated circuits (ICs) for wireless communication products. The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since November 2015.

The parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company’s board of directors on February 25, 2021.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies:

- 1) Amendments to IFRS 3 “Definition of a Business”

The Company applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To determine whether an acquired process is substantive, different criteria apply, depending on whether there are outputs at the acquisition date. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

- 2) Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

Upon retrospective application of the amendments, the Company complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

- 3) Amendments to IAS 1 and IAS 8 “Definition of Material”

The Company adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to “could reasonably be expected to influence”.

Accordingly, disclosures in the parent company only financial statements do not include immaterial information that may obscure material information.

4) Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Company elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19.

b. The IFRSs endorsed by the FSC for application starting from 2021

New, Revised, Amended Standards and Interpretations	Effective Date Announced by International Accounting Standards Board (IASB)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

As of the date the accompanying parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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	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 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

- Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.
- Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.
- Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the date the accompanying parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying parent company only financial statements have been translated into English from original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language parent company only financial statements shall prevail.

a. Statement of compliance

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

b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit assets which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for and asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial

statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period,
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to rescheduled payments, on a long-term basis is completed after the reporting period and before the parent company only financial statements are authorized to issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the parent company only financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the parent company only financial statements, the functional currencies of the Company's foreign operations (including subsidiaries in other countries or those that use currencies different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed by the Company at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes

in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: investments in equity instruments at FVTOCI and financial assets at amortized cost.

i. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and accounts receivable at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime Expected Credit Losses (ECLs) for accounts receivable.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by reduction in their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amount of the financial assets are not reduced.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

l. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

The sale of goods is recognized as revenue when the goods are delivered to the customer's specific location or when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

m. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Company subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Company, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

2) The Company as lessee

Except for short-term leases and low-value asset leases which are recognized as expenses on a straight-line basis over the lease terms, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If implicit rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

n. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

p. Share-based payment arrangements (employee share options)

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures and personal training expenditure to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Critical Accounting Judgments

a. Lease terms

In determining a lease term, the Company considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within the control of the Company occurs.

Key Sources of Estimation Uncertainty

a. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 907	\$ 753
Checking accounts and demand deposits	429,864	764,002
Cash equivalents		
Time deposits with original maturities of 3 months or less	<u>400,000</u>	<u>-</u>
	<u>\$ 830,771</u>	<u>\$ 764,755</u>

The market rate intervals of cash and time deposits with original maturities of 3 months or less in the bank at the end of the year were as follows:

	December 31	
	2020	2019
Bank deposits	0.01%-0.30%	0.01%-0.38%
Time deposits with original maturities of 3 months or less	0.37%-0.405%	-

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
<u>Current</u>		
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)		
Domestic investments		
Listed shares - ordinary shares	\$ -	\$ 11

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
<u>Non-current</u>		
Time deposits with original maturities of more than 1 year	\$ 3,000	\$ 4,138

- The interest rates of restricted time deposits with original maturities of more than 1 year were approximately 0.76% and 1.015% per annum as of December 31, 2020 and 2019, respectively.
- Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2020	2019
<u>Accounts receivable (Note 21)</u>		
At amortized cost		
Gross carrying amount	\$ 1,254,599	\$ 764,224
Less: Allowance for impairment loss	(1,061)	(1,666)
	<u>\$ 1,253,538</u>	<u>\$ 762,588</u>

(Continued)

	December 31	
	2020	2019
<u>Other receivables</u>		
Income tax refund receivable	\$ 29,239	\$ 17,829
Others	<u>179</u>	<u>31</u>
	<u>\$ 29,418</u>	<u>\$ 17,860</u>
		(Concluded)

Accounts receivable at amortized cost

The average credit period on sales of goods was 30 to 60 days. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates and industry outlook. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off an accounts receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Company's provision matrix.

December 31, 2020

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 180 Days Past Due	Over 180 Days Past Due	Total
Expected credit loss rate	0.08%	1.16%	3.02%	-	-	-	
Gross carrying amount	\$ 1,245,235	\$ 6,403	\$ 29	\$ 11	\$ 2,921	\$ -	\$ 1,254,599
Loss allowance (Lifetime ECLs)	<u>(985)</u>	<u>(75)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,061)</u>
Amortized cost	<u>\$ 1,244,250</u>	<u>\$ 6,328</u>	<u>\$ 28</u>	<u>\$ 11</u>	<u>\$ 2,921</u>	<u>\$ -</u>	<u>\$ 1,253,538</u>

December 31, 2019

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 180 Days Past Due	Over 180 Days Past Due	Total
Expected credit loss rate	0.06%	0.88%	1.77%	-	-	100%	
Gross carrying amount	\$ 708,518	\$ 43,275	\$ 6,846	\$ 3,590	\$ 1,248	\$ 747	\$ 764,224
Loss allowance (Lifetime ECLs)	<u>(416)</u>	<u>(382)</u>	<u>(121)</u>	<u>-</u>	<u>-</u>	<u>(747)</u>	<u>(1,666)</u>
Amortized cost	<u>\$ 708,102</u>	<u>\$ 42,893</u>	<u>\$ 6,725</u>	<u>\$ 3,590</u>	<u>\$ 1,248</u>	<u>\$ --</u>	<u>\$ 762,558</u>

The movements of the loss allowance of accounts receivable were as follows:

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 1,666	\$ -
Add: Net remeasurement of loss allowance	-	1,666
Less: Amounts recovered	<u>(605)</u>	<u>-</u>
Balance at December 31	<u>\$ 1,061</u>	<u>\$ 1,666</u>

10. INVENTORIES

	December 31	
	2020	2019
Raw materials	\$ 661,286	\$ 319,148
Work in progress	505,515	195,236
Finished goods	113,619	84,634
Merchandise	<u>-</u>	<u>489</u>
	<u>\$1,280,420</u>	<u>\$ 599,507</u>

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2020	2019
Cost of inventories sold	\$ 3,436,739	\$ 1,773,281
Inventory write-downs (reversed)	4,888	(17,803)
Loss on disposal of inventories	<u>9,946</u>	<u>9,399</u>
	<u>\$ 3,451,573</u>	<u>\$ 1,764,877</u>

Inventory write-downs were reversed as a result of sold inventories that had been written down.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
<u>Investments in subsidiary</u>		
Minerva Technology Co.	<u>\$ 13,494</u>	<u>\$ 14,294</u>
	Proportion of Ownership and Voting Rights (%)	
	December 31	
Name of subsidiary	2020	2019
Minerva Technology Co.	100	100

Remark:

- 1) In December 2018, the Company established Minerva Technology Co. in Belize with an investment of USD550 thousand, and reinvested in and established AEGIS LINK CORP. in USA with USD550 thousand in January 2019.
- 2) Minerva Technology Co. and AEGIS LINK CORP. were recognized based on audited financial statements.

12. PROPERTY, PLANT AND EQUIPMENT

	Testing Equipment	Computer Equipment	Other Equipment	Total
<u>Cost</u>				
Balance at January 1, 2019	\$ 65,884	\$ 10,931	\$ 65,157	\$ 141,972
Additions	23,676	2,730	30,894	57,300
Transfers from prepayments	483	-	826	1,309
Disposals	<u>(3,338)</u>	<u>(3,716)</u>	<u>(21,454)</u>	<u>(28,508)</u>
Balance at December 31, 2019	<u>\$ 86,705</u>	<u>\$ 9,945</u>	<u>\$ 75,423</u>	<u>\$ 172,073</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2019	\$ 17,601	\$ 5,815	\$ 32,795	\$ 56,211
Depreciation expense	11,422	2,698	21,138	35,258
Disposals	<u>(3,338)</u>	<u>(3,716)</u>	<u>(21,454)</u>	<u>(28,508)</u>
Balance at December 31, 2019	<u>\$ 25,685</u>	<u>\$ 4,797</u>	<u>\$ 32,479</u>	<u>\$ 62,961</u>
Carrying amount at December 31, 2019	<u>\$ 61,020</u>	<u>\$ 5,148</u>	<u>\$ 42,944</u>	<u>\$ 109,112</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 86,705	\$ 9,945	\$ 75,423	\$ 172,073
Additions	26,813	6,091	29,875	62,779
Transfers from prepayments	2,006	-	-	2,006
Disposals	<u>(5,428)</u>	<u>(2,966)</u>	<u>(22,435)</u>	<u>(30,829)</u>
Balance at December 31, 2020	<u>\$ 110,096</u>	<u>\$ 13,070</u>	<u>\$ 82,863</u>	<u>\$ 206,029</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2020	\$ 25,685	\$ 4,797	\$ 32,479	\$ 62,961
Depreciation expense	15,774	2,671	26,681	45,126
Disposals	<u>(5,428)</u>	<u>(2,966)</u>	<u>(22,435)</u>	<u>(30,829)</u>
Balance at December 31, 2020	<u>\$ 36,031</u>	<u>\$ 4,502</u>	<u>\$ 36,725</u>	<u>\$ 77,258</u>
Carrying amount at December 31, 2020	<u>\$ 74,065</u>	<u>\$ 8,568</u>	<u>\$ 46,138</u>	<u>\$ 128,771</u>

The above items of property, plant and equipment used by the Company are depreciated on a straight-line basis over their estimated useful lives as follows:

Testing equipment	6 years
Computer equipment	4 years
Other equipment	3-5 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amount</u>		
Buildings	\$ 33,002	\$ 32,657
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	\$ 24,621	\$ 14,677
Depreciation charge for right-of-use assets		
Buildings	\$ 24,276	\$ 22,246
Income from the subleasing of right-of-use assets (presented in other income)	\$ (641)	\$ (495)

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amount</u>		
Current	\$ 17,030	\$ 19,778
Non-current	\$ 15,960	\$ 12,503

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	1.50%	1.50%

c. Material leasing activities and terms

The Company leases buildings for the use of plants, offices and parking spaces with lease terms of 1 to 3 years. The Company does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 3,111	\$ 5,088
Total cash outflow for leases	\$ (27,780)	\$ (27,662)

The Company's leases of certain parking spaces, offices and staff dormitories qualify as short-term leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. OTHER INTANGIBLE ASSETS

	Computer Software	Specialized Techniques	Trademarks	Total
<u>Cost</u>				
Balance at January 1, 2019	\$ 39,988	\$ 2,488	\$ 295	\$ 42,771
Additions	20,135	-	-	20,135
Disposals	<u>(9,154)</u>	<u>-</u>	<u>-</u>	<u>(9,154)</u>
Balance at December 31, 2019	<u>\$ 50,969</u>	<u>\$ 2,488</u>	<u>\$ 295</u>	<u>\$ 53,752</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2019	\$ 19,908	\$ 1,339	\$ 295	\$ 21,542
Amortization expenses	20,948	175	-	21,123
Disposals	<u>(9,154)</u>	<u>-</u>	<u>-</u>	<u>(9,154)</u>
Balance at December 31, 2019	<u>\$ 31,702</u>	<u>\$ 1,514</u>	<u>\$ 295</u>	<u>\$ 33,511</u>
Carrying amount at December 31, 2019	<u>\$ 19,267</u>	<u>\$ 974</u>	<u>\$ -</u>	<u>\$ 20,241</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 50,969	\$ 2,488	\$ 295	\$ 53,752
Additions	26,060	-	-	26,060
Disposals	<u>(36,296)</u>	<u>-</u>	<u>-</u>	<u>(36,296)</u>
Balance at December 31, 2020	<u>\$ 40,733</u>	<u>\$ 2,488</u>	<u>\$ 295</u>	<u>\$ 43,516</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2020	\$ 31,702	\$ 1,514	\$ 295	\$ 33,511
Additions	27,600	150	-	27,750
Disposals	<u>(36,296)</u>	<u>-</u>	<u>-</u>	<u>(36,296)</u>
Balance at December 31, 2020	<u>\$ 23,006</u>	<u>\$ 1,664</u>	<u>\$ 295</u>	<u>\$ 24,965</u>
Carrying amount at December 31, 2020	<u>\$ 17,727</u>	<u>\$ 824</u>	<u>\$ -</u>	<u>\$ 18,551</u>

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-3 years
Specialized techniques	10 years
Trademarks	10 years

15. OTHER ASSETS

	December 31	
	2020	2019
<u>Current</u>		
Prepayments		
Prepaid expenses	\$ 11,740	\$ 2,949
Prepayment for purchases	<u>1,174</u>	<u>704</u>
	<u>\$ 12,914</u>	<u>\$ 3,653</u>
<u>Other current assets</u>		
Temporary payments	<u>\$ 5,180</u>	<u>\$ 5,422</u>

16. SHORT-TERM BORROWINGS

	December 31	
	2020	2019
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ -</u>	<u>\$ 59,960</u>

The range of effective interest rates of the line of credit borrowings was 2.62% per annum at December 31 2019.

17. ACCOUNTS PAYABLE

	December 31	
	2020	2019
<u>Accounts payable</u>		
Generated from operating activities	<u>\$ 969,310</u>	<u>\$ 643,353</u>

The average credit period was 30 to 60 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

18. OTHER LIABILITIES

	December 31	
	2020	2019
<u>Current</u>		
Other payables		
Payables for salaries and bonuses	\$ 44,671	\$ 37,418
Payables for software usage fee	15,825	4,827
Payables for purchases of equipment	7,913	7,438
Payables for research and design fee	7,838	9,238
Payables for freight cost	7,114	3,224
Payables for annual leave	7,027	5,837
Payables for testing fee	5,506	6,798
Others	<u>33,687</u>	<u>30,748</u>
	<u>\$ 129,581</u>	<u>\$ 105,528</u>
Refund liabilities (Note 21)	<u>\$ 85,093</u>	<u>\$ 109,902</u>
Other liabilities		
Receipts under custody	\$ 3,033	\$ 2,117
Temporary receipts	108	29
Contract liabilities (Note 21)	<u>9,075</u>	<u>2,664</u>
	<u>\$ 12,216</u>	<u>\$ 4,810</u>

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 13,679	\$ 12,546
Fair value of plan assets	<u>(14,453)</u>	<u>(13,320)</u>
Net defined benefit assets	<u>\$ (774)</u>	<u>\$ (774)</u>

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit (Assets) Liabilities
Balance at January 1, 2019	<u>\$ 11,791</u>	<u>\$ (12,514)</u>	<u>\$ (723)</u>
Net interest expense (income)	<u>133</u>	<u>(151)</u>	<u>(18)</u>
Recognized in profit or loss	<u>133</u>	<u>(151)</u>	<u>(18)</u>
Remeasurement			
Return on plan assets	-	(383)	(383)
Actuarial loss - changes in demographic assumptions	57	-	57
Actuarial gain - changes in financial assumptions	514	-	514
Actuarial loss - experience adjustments	<u>379</u>	<u>-</u>	<u>379</u>
Recognized in other comprehensive income	<u>950</u>	<u>(383)</u>	<u>567</u>
Contributions from the employer	<u>-</u>	<u>(600)</u>	<u>(600)</u>
Benefits paid	<u>(328)</u>	<u>328</u>	<u>-</u>
Balance at December 31, 2019	<u>12,546</u>	<u>(13,320)</u>	<u>(774)</u>
Net interest expense (income)	<u>94</u>	<u>(102)</u>	<u>(8)</u>
Recognized in profit or loss	<u>94</u>	<u>(102)</u>	<u>(8)</u>
Remeasurement			
Return on plan assets	-	(431)	(431)
Actuarial loss - changes in demographic assumptions	44	-	44
Actuarial gain - changes in financial assumptions	353	-	353
Actuarial loss - experience adjustments	<u>642</u>	<u>-</u>	<u>642</u>
Recognized in other comprehensive income	<u>1,039</u>	<u>(431)</u>	<u>608</u>
Contributions from the employer	<u>-</u>	<u>(600)</u>	<u>(600)</u>
Benefits paid	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 13,679</u>	<u>\$ (14,453)</u>	<u>\$ (774)</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2020	2019
General and administrative expenses	\$ (1)	\$ (2)
Research and development expenses	<u>(7)</u>	<u>(16)</u>
	<u>\$ (8)</u>	<u>\$ (18)</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	2019
Discount rate(s)	0.50%	0.75%
Expected rate(s) of salary increase	3.00%	3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would (decrease) increase as follows:

	December 31	
	2020	2019
Discount rate(s)		
0.25% increase	\$ (353)	\$ (346)
0.25% decrease	\$ 366	\$ 359
Expected rate(s) of salary increase		
0.25% increase	\$ 351	\$ 346
0.25% decrease	\$ (341)	\$ (335)

The above sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
Expected contributions to the plan for the next year	\$ 600	\$ 600
Average duration of the defined benefit obligation	10.4 years	11.2 years

又 20. EQUITY

a. Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands of shares)	100,000	100,000
Shares authorized	\$ 1,000,000	\$ 1,000,000
Number of shares issued and fully paid (in thousands of shares)	63,192	61,878
Shares issued and fully paid	\$ 631,921	\$ 618,781

A holder of ordinary shares issued with par value of \$10 is entitled to vote and to receive dividends.

The authorized shares include 10,000 thousand of shares reserved for the exercise of employee share options.

The change in the Company's share capital is mainly due to the exercise of employee share options.

b. Capital collected in advance

	December 31	
	2020	2019
Capital collected in advance	\$ -	\$ 730

Capital collected in advance is mainly due to the proceeds received from the exercise of employee share options.

c. Capital surplus

	December 31	
	2020	2019
Maybe used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 330,128	\$ 272,297
<u>May be used to offset a deficit</u>		
Issuance of ordinary shares (exercised or expired employee share options)	33,034	28,589
<u>May not be used for any purpose</u>		
Employee share options	52,018	54,857
	\$ 415,180	\$ 355,743

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

d. Retained earnings and dividends policy

Under the dividend policy as set forth in the Company's Articles of Incorporation ("Articles"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. Refer to Note 22(g) for the policies on the distribution of compensation of employees and remuneration of directors.

The Company's Articles also stipulate a balanced and stable dividends policy whereby share and cash dividends are distributed based on the Company's profitability, financial structure and future development plans. Dividends may be distributed in the form of cash or shares taking into consideration future profitability and funding needs, out of which the total cash dividends paid in any given year shall be at least 10% of the total dividends distributed.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals to the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficits and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018, which were approved in the shareholders' meetings on May 29, 2020 and May 24, 2019, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2019	2018
Legal reserve	\$ 19,074	\$ 17,719
Special reserve	\$ 328	\$ 52
Cash dividends	\$ 120,185	\$ 90,564
Cash dividends per share (NT\$)	\$ 1.94	\$ 1.50

The appropriation of earnings for 2020, which were proposed by the Company's board of directors on February 25, 2021, were as follows:

	For the Year Ended December 31, 2020
Legal reserve	\$ 86,572
Special reserve	\$ 699
Cash dividends	\$ 252,768
Share dividends	\$ 252,768
Cash dividends per share (NT\$)	\$ 4.00
Share dividends per share (NT\$)	\$ 4.00

The appropriation of earnings for 2020 will be resolved by the shareholders in their meeting to be held on May 27, 2021.

e. Special reserve

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 74	\$ 22
Appropriations in respect of debits to other equity items	<u>328</u>	<u>52</u>
Balance at December 31	<u>\$ 402</u>	<u>\$ 74</u>

f. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (374)	\$ (46)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	<u>(712)</u>	<u>(328)</u>
Balance at December 31	<u>\$ (1,086)</u>	<u>\$ (374)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (28)	\$ (28)
Recognized for the year		
Unrealized gain - equity instruments	5	-
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>9</u>	<u>-</u>
Balance at December 31	<u>\$ (14)</u>	<u>\$ (28)</u>

21. REVENUE

a. Contract revenue from customers

	For the Year Ended December 31	
	2020	2019
Revenue from the sale of goods	\$ 5,349,788	\$ 2,748,458
Royalty revenue	<u>412</u>	<u>1,097</u>
	<u>\$ 5,350,200</u>	<u>\$ 2,749,555</u>

b. Contract information

As wireless communication products are innovative and the prices are highly volatile, the discount is estimated at the most likely amount based on the range of discounts given in the past. Based on conventional business practices, the Company accepts the return of goods with full refunds, and estimates the discount rate based on most likely amount from past experience, and recognizes the refund liabilities accordingly.

c. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable (Note 9)	<u>\$ 1,253,538</u>	<u>\$ 762,558</u>	<u>\$ 567,732</u>
Contract liabilities (Note 18)			
Sale of goods	<u>\$ 9,075</u>	<u>\$ 2,664</u>	<u>\$ 405</u>

Revenue in the current year that was recognized from the contract liabilities at the beginning of the year is as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
From contract liabilities at the beginning of the year		
Sale of goods	<u>\$ 2,515</u>	<u>\$ 398</u>

d. Disaggregation of revenue

	<u>For the Year Ended December 31</u>	
	2020	2019
<u>Type of goods or services</u>		
WIFI products	\$ 4,963,566	\$ 2,446,857
Mobile communication products	185,650	72,630
FM tuners	119,252	185,767
Wireless audio and video products	55,869	43,389
Others	<u>25,863</u>	<u>912</u>
	<u>\$ 5,350,200</u>	<u>\$ 2,749,555</u>

22. NET PROFIT

a. Interest income

	<u>For the Year Ended December 31</u>	
	2020	2019
Bank deposits	\$ 726	\$ 1,018
Deposit interest	<u>47</u>	<u>47</u>
	<u>\$ 773</u>	<u>\$ 1,065</u>

b. Other income

For the Year Ended December 31
2020 2019

Others	\$ <u>3,089</u>	\$ <u>506</u>
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c. Other gains and losses

For the Year Ended December 31
2020 2019

Net foreign exchange gains	\$ 6,314	\$ 305
Others	<u>-</u>	<u>(4)</u>
	<u>\$ 6,314</u>	<u>\$ 301</u>

d. Finance costs

For the Year Ended December 31
2020 2019

Interest on bank loans	\$ 636	\$ 886
Interest on lease liabilities	<u>386</u>	<u>484</u>
	<u>\$ 1,022</u>	<u>\$ 1,370</u>

e. Depreciation and amortization

For the Year Ended December 31
2020 2019

An analysis of depreciation by function		
Operating costs	\$ 2,333	\$ -
Selling and marketing expenses	5,908	847
General and administrative expenses	8,233	26,287
Research and development expenses	<u>52,928</u>	<u>30,370</u>
	<u>\$ 69,402</u>	<u>\$ 57,504</u>

An analysis of amortization by function		
Selling and marketing expenses	\$ 242	\$ 363
General and administrative expenses	941	1,241
Research and development expenses	<u>26,567</u>	<u>19,519</u>
	<u>\$ 27,750</u>	<u>\$ 21,123</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Post-employment benefits (Note 19)		
Defined contribution plans	\$ 15,021	\$ 13,080
Defined benefit plans	<u>(8)</u>	<u>(18)</u>
	15,013	13,062
Share-based payments		
Equity-settled	1,606	5,146
Other employee benefits	<u>467,717</u>	<u>336,295</u>
Total employee benefits expense	<u>\$ 484,336</u>	<u>\$ 354,503</u>
An analysis of employee benefits expense by function		
Selling and marketing expenses	\$ 71,002	\$ 54,112
General and administrative expenses	110,447	72,606
Research and development expenses	<u>302,887</u>	<u>227,785</u>
	<u>\$ 484,336</u>	<u>\$ 354,503</u>

g. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at rates no less than 8% and no higher than 1%, respectively, of net profit before income tax, compensation of employees and remuneration of directors.

The compensation of employees and remuneration of directors for the year ended December 31, 2020 and 2019, which were approved by the Company's board of directors on February 25, 2021 and February 27, 2020, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Compensation of employees	8%	8%
Remuneration of directors	1%	1%

Amount

	For the Year Ended December 31			
	2020		2019	
	Cash	Shares	Cash	Shares
Compensation of employees	\$ 89,416	\$ -	\$ 21,428	\$ -
Remuneration of directors	11,177	-	2,679	-

If there is a change in the amounts after the annual parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2019 and 2018.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2020	2019
Foreign exchange gains	\$ 47,274	\$ 23,916
Foreign exchange losses	<u>(40,960)</u>	<u>(23,611)</u>
Net gain on foreign currency exchange	<u>\$ 6,314</u>	<u>\$ 305</u>

23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 165,965	\$ 48,625
Income tax on unappropriated earnings	-	3,424
Adjustments for prior year	(18,110)	423
Deferred tax		
In respect of the current year	3,490	536
Adjustments for prior year	<u>(454)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 150,891</u>	<u>\$ 53,008</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax	<u>\$ 1,017,107</u>	<u>\$ 243,745</u>
Income tax expense calculated at the statutory rate (20%)	\$ 203,421	\$ 48,749
Nondeductible expense in determining taxable income	765	520
Unrecognized deductible temporary differences	(454)	(108)
Income tax on unappropriated earnings	-	3,424
Investment tax credits	(34,731)	-
Adjustments for prior year's tax	<u>(18,110)</u>	<u>423</u>
Income tax expense recognized in profit or loss	<u>\$ 150,891</u>	<u>\$ 53,008</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Company only deducts the amount of reinvestment in capital expenditure from the unappropriated earnings.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	\$ <u>122</u>	\$ <u>113</u>

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax liabilities		
Income tax payable	\$ <u>141,236</u>	\$ <u>28,569</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Refund liabilities	\$ 21,980	\$ (4,962)	\$ -	\$ 17,018
Defined benefit plans	1,552	-	122	1,674
Payable for annual leave	1,167	238	-	1,405
Loss on investments accounted for using the equity method	-	472	-	472
Allowance for impairment loss	47	-	-	47
Unrealized foreign exchange loss	-	17	-	17
Unrealized write-downs of inventories	14,564	978	-	15,542
Others	<u>417</u>	<u>(139)</u>	<u>-</u>	<u>278</u>
	\$ <u>39,727</u>	\$ <u>(3,396)</u>	\$ <u>122</u>	\$ <u>36,453</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gain	\$ <u>360</u>	\$ <u>(360)</u>	\$ <u>-</u>	\$ <u>-</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Refund liabilities	\$ 18,675	\$ 3,305	\$ -	\$ 21,980
Defined benefit plans	1,439	-	113	1,552
Payable for annual leave	1,038	129	-	1,167
Allowance for impairment loss	47	-	-	47
Unrealized foreign exchange loss	(104)	104	-	-
Unrealized write-downs of inventories	18,125	(3,561)	-	14,564
Others	<u>570</u>	<u>(153)</u>	<u>-</u>	<u>417</u>
	<u>\$ 39,790</u>	<u>\$ (176)</u>	<u>\$ 113</u>	<u>\$ 39,727</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gain	<u>\$ -</u>	<u>\$ 360</u>	<u>\$ -</u>	<u>\$ 360</u>

e. Income tax assessments

The Company's tax returns through 2018, except 2017, have been assessed by the tax authorities.

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Basic earnings per share	<u>\$ 13.82</u>	<u>\$ 3.13</u>
Diluted earnings per share	<u>\$ 13.67</u>	<u>\$ 3.04</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Earnings used in computation of basic and diluted earnings per share	<u>\$ 866,216</u>	<u>\$ 190,737</u>
Weighted average number of ordinary shares used in computation of basic earnings per share	62,656	61,034
Effect of potentially dilutive ordinary shares:		
Employee share options	453	1,617
Compensation of employees	<u>247</u>	<u>184</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>63,356</u>	<u>62,835</u>

Since the Company may settle compensation of employees in cash or shares, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan

The Company issued 3,156 units of employee share options on July 5, 2016. On the grant date, each option entitles the holder with the right to subscribe for one thousand ordinary share of the Company at exercise price of NT\$69.9 per share. Subsequently, the exercise price will be adjusted to NT\$56.6 per share based on the formula as stipulated in the plan. The options are granted to the employees of the Company and its subsidiaries that meet certain criteria. The expected lifetime of the options is 4 years. The options are exercisable by the qualified employees at 50% after the second year from the grant date, and another two tranches of 25% exercisable after third and fourth years from the grant date. The vesting period will be end on July 5, 2020.

Information on outstanding employee share options is as follows:

	For the Year Ended December 31			
	2020		2019	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (NT\$)
Balance at January 1	1,512	\$ 56.6	3,156	\$ 57.7
Options forfeited	(7)	56.6	(69)	57.3
Options expired	(264)	56.6	-	-
Options exercised	<u>(1,241)</u>	56.6	<u>(1,575)</u>	56.8
Balance at December 31	<u>-</u>		<u>1,512</u>	56.6
Options exercisable, end of the year	<u>-</u>		<u>723</u>	
Weighted - average fair value of options granted (NT\$)	<u>\$ 18.98</u>		<u>\$ 19.11</u>	

As of the balance sheet date, information about employee share options outstanding was as follows:

	For the Year Ended December 31	
	2020	2019
Range of exercise price (NT\$)	\$ 56.6	\$ 56.6
Weighted average remaining contractual life (in years)	-	0.5 years

The options granted by the Company are priced using the Black-Scholes pricing model and the related inputs to the model are as follows:

Grant-date share price	NT\$69.9
Expected volatility	37.90%, 37.20% and 36.32%
Risk-free interest rate	0.47%, 0.49% and 0.50%
Expected dividend yield rate	-
Expected life	3 years, 3.5 years and 4 years

Compensation costs recognized were \$1,606 thousand and \$5,146 thousand for the years ended December 31, 2020 and 2019, respectively.

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

The key management personnel of the Company review the capital structure on regular basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders and the number of new shares issued.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

Key management personnel of the Company consider the carrying amounts of financial assets and financial liabilities in the parent company only financial statements as approximate to their fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Listed shares	\$ <u>11</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>11</u>

There were no transfers between Levels 1 and 2 in the current and prior years.

c. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 2,126,821	\$ 1,557,314
Financial assets at FVTOCI	-	11

Financial liabilities

Amortized cost (2)	1,204,387	838,770
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- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, accounts receivable, other receivables, financial assets at amortized cost and refundable deposits.
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, accounts payable, accrued compensation of employees and remuneration of directors, other payables, and guarantee deposits.

d. Financial risk management objectives and policies

The Company's major financial instruments included accounts receivable, accounts payable, borrowings and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

The Company did not use derivative financial instruments to minimize the effect of these risks, but it uses natural hedging from operations and borrowings denominated in foreign currencies to mitigate the impact of foreign currency risk.

The corporate treasury function reports monthly to the Company's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency risk (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Company has foreign currency denominated sales and purchases, which expose the Company to foreign currency risk. Approximately 56% of the Company's sales is denominated in currencies other than the functional currency of the entity in the Company making the sale, whilst almost 83% of costs is denominated in currencies other than the functional currency of the entity in the Company.

Sensitivity analysis

The Company was mainly exposed to the USD.

The following table details the Company's sensitivity to a 2% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 2%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges and adjusts their translation at the end of the year for a 2% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in pre-tax profit associated with the New Taiwan dollar strengthening (weakening) 2% against the relevant currency.

	USD Impact	
	For the Year Ended	
	December 31	
	2020	2019
Profit or (loss)	\$ <u>4,573</u>	\$ <u>(742)</u>

This was mainly attributable to the exposure on outstanding accounts receivable, cash and cash equivalents and accounts payable denominated in USD that were not hedged at the end of the year.

The Company's sensitivity to foreign currency increased during the current year mainly due to increase in the accounts receivable denominated in USD.

b) Interest rate risk

The Company is exposed to interest rate risk because the Company borrows funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetites ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 153,000	\$ 4,138
Financial liabilities	32,990	92,241
Cash flow interest rate risk		
Financial assets	679,864	764,002

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. A 0.25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25 basis point higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$1,700 thousand and \$1,910 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company, could be equal to the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

The Company adopted a policy of dealing only with reputable parties and, where necessary, obtains appropriate guarantees to mitigate the risk of financial losses resulting from the default of payment. The Company assesses the creditability of the key customers based on financial information available and mutual transaction records. The Company continuously monitors the credit risk and credit rating of the counterparties, distributes the total transaction amount to customers with sound credit ratings, and controls the credit risk by ensuring that each counterparty's credit limit is reviewed and approved by the risk management committee.

The Company assesses the financial position of customers with outstanding accounts receivable balances regularly and requests for collateral if necessary.

The Company's concentration of credit risk is mainly related to the top five largest customers, which represents 86% and 77% of total accounts receivable as of December 31, 2020 and 2019, respectively.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. Refer to (b) below for the amount of unsecured short-term bank loan facilities of the Company as of December 31, 2020 and 2019:

a) Liquidity and interest risk rate table for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, financial liabilities with a repayment on demand clause are included in the earliest time band regardless of the probability of the creditors choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	\$ 441,332	\$ 583,265	\$ 179,790	\$ -
Lease liabilities	-	5,938	11,670	16,189
Refund liabilities	-	-	85,093	-
	<u>\$ 441,332</u>	<u>\$ 589,203</u>	<u>\$ 276,553</u>	<u>\$ 16,189</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 17,608</u>	<u>\$ 16,189</u>	<u>\$ -</u>

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	\$ 363,196	\$ 356,759	\$ 118,815	\$ -
Lease liabilities	-	6,375	14,708	12,053
Refund liabilities	-	-	109,902	-
	<u>\$ 363,196</u>	<u>\$ 363,134</u>	<u>\$ 243,425</u>	<u>\$ 12,053</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 21,083</u>	<u>\$ 12,053</u>	<u>\$ -</u>

The amounts included above for floating interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in floating interest rates differ from those estimates of interest rates determined at the end of the year.

b) Financing facilities

	December 31	
	2020	2019
Unsecured bank loan facilities		
Amount used	\$ -	\$ 59,960
Amount unused	<u>142,400</u>	<u>209,940</u>
	<u>\$ 142,400</u>	<u>\$ 269,900</u>

28. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed as follows.

a. Remuneration of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 30,809	\$ 28,351
Post-employment benefits	864	779
Share-based payments	<u>115</u>	<u>419</u>
	<u>\$ 31,788</u>	<u>\$ 29,549</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for customs import goods tax and performance guarantee:

	December 31	
	2020	2019
Pledged deposits (classified as financial assets at amortized cost)	<u>\$ 3,000</u>	<u>\$ 4,138</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company at December 31, 2020 and 2019 were as follows:

a. Significant commitments

Under a sales agreement, the Company shall pay royalties at a certain percentage of net sales of certain products. Royalty expenses amounted to \$1,599 thousand and \$2,652 thousand for the years ended December 31, 2020 and 2019, respectively.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 38,380	28.48	\$ 1,093,062
<u>Financial liabilities</u>			
Monetary items			
USD	30,352	28.48	864,425

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 17,476	29.98	\$ 523,930
<u>Financial liabilities</u>			
Monetary items			
USD	18,713	29.98	561,016

The significant unrealized foreign exchange gains (losses) were as follows:

	<u>For the Year Ended December 31, 2020</u>		<u>For the Year Ended December 31, 2019</u>	
Foreign Currency	Exchange Rate	Net Foreign Exchange Losses	Exchange Rate	Net Foreign Exchange Gains
USD	28.48	\$ (84)	29.98	\$ 2,333

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None

- 3) Marketable securities held (excluding investments in subsidiaries, associates, and joint ventures): None
 - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
 - 9) Trading in derivative instruments: None
 - 10). Intercompany relationships and significant intercompany transactions: None
 - 11) Information on investees (Table 1)
- b. Information on investees: Table 1
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: None
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

- d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder:
None

RICHWAVE TECHNOLOGY CORP.

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment December 31, 2020
Richwave Technology Corp.	Minerva Technology Co.	Belize	Investment	\$ 16,940 (USD 550 thousand)
Minerva Technology Co.	AEGIS LINK CORP.	USA	Selling and marketing	15,428 (USD 500 thousand)

VI. In the Most Recent Fiscal Year and Up to the Date of Publication of the Annual Report, Any Affect the Company's Financial Situation

None.

Chapter VIII. Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

I. Financial Position Review and Analysis

1. Financial analysis - consolidated:

Unit: NT\$ thousands

Item \ Year	2019	2020	Difference	
			Amount of increase (decrease)	Percentage of increase (decrease)
Current assets	2,168,060	3,425,735	1,257,675	58%
Funds and investments	—	—	—	—
Property, plant, and equipment	109,112	128,771	19,659	18%
Intangible assets	20,241	18,551	(1,690)	(8)%
Other assets	85,880	88,151	2,271	3%
Total assets	2,383,293	3,661,208	1,277,915	54%
Current liabilities	996,007	1,455,059	459,052	46%
Long-term liabilities	—	—	—	—
Other liabilities	18,685	20,863	2,178	12%
Total liabilities	1,014,692	1,475,922	461,230	45%
Share capital	619,511	631,921	12,410	2%
Capital reserve	355,743	415,180	59,437	17%
Retained earnings	393,749	1,139,285	745,536	189%
Other shareholders' equity	(402)	(1,100)	(698)	174%
Total shareholders' equity	1,368,601	2,185,286	816,685	60%

The main reasons for increase or decrease of more than 20% are provided below:

1. Increase in current assets: This is mainly due to the increase in revenue this year which increased cash, accounts receivable, and inventories.
2. Increase in assets: This is mainly due to the increase in revenue this year which increased cash, accounts receivable, and inventories.
3. Increase in current liabilities: This is mainly due to the increase in revenue and increase in purchases in this period due to business operation requirements which increased the accounts payable.
4. Increase in total liabilities: This is mainly due to the increase in revenue and increase in purchases in this period due to business operation requirements which increased the accounts payable.
5. Increase in retained earnings: Mainly due to the continued increase in profits.
6. Decrease in other shareholders' equity: Mainly due to the translation differences arising from foreign operations totaling approximately NT\$698 thousand of the new foreign subsidiary added this year.

2. Financial analysis - parent company only:

Unit: NT\$ thousands

Item \ Year	2019	2020	Difference	
			Amount of increase (decrease)	Percentage of increase (decrease)
Current assets	2,153,766	3,412,241	1,258,475	58%
Funds and investments	14,294	13,494	(800)	(6)%
Property, plant, and equipment	109,112	128,771	19,659	18%
Intangible assets	20,241	18,551	(1,690)	(8)%
Other assets	85,880	88,151	2,271	3%
Total assets	2,383,293	3,661,208	1,277,915	54%
Current liabilities	996,007	1,455,059	459,052	46%
Long-term liabilities	—	—	—	—
Other liabilities	18,685	20,863	2,178	12%
Total liabilities	1,014,692	1,475,922	461,230	45%
Share capital	619,511	631,921	12,410	2%
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2. Increase in assets: This is mainly due to the increase in revenue this year which increased cash, accounts receivable, and inventories.
3. Increase in current liabilities: This is mainly due to the increase in revenue and increase in purchases in this period due to business operation requirements which increased the accounts payable.
4. Increase in total liabilities: This is mainly due to the increase in revenue and increase in purchases in this period due to business operation requirements which increased the accounts payable.
5. Increase in retained earnings: Mainly due to the continued increase in profits.
6. Decrease in other shareholders' equity: Mainly due to the translation differences arising from foreign operations totaling approximately NT\$698 thousand of the new foreign subsidiary added this year.

II. Financial Performance

1. Financial performance analysis - consolidated:

Unit: NT\$ thousands

Item/Year	2019	2020	Amount of increase (decrease)	Percentage of increase (decrease)
Net operating revenue	2,749,555	5,350,200	2,600,645	95%
Operating costs	<u>1,764,877</u>	<u>3,451,573</u>	1,686,696	96%
Gross operating profit	984,678	1,898,627	913,949	93%
Operating expenses	<u>741,444</u>	<u>890,672</u>	149,231	20%
Operating profit	243,234	1,007,951	764,717	314%
Non-operating income and expenses	511	9,155	8,644	1,692%
Net profit before tax	243,745	1,017,107	773,362	317%
Income tax expenses	<u>53,008</u>	<u>150,891</u>	97,883	185%
Current net profit	<u>190,737</u>	<u>866,216</u>	675,479	354%
<p>The main reasons for increase or decrease of more than 20% are provided below:</p> <ol style="list-style-type: none"> 1. Increase in net operating revenue: This is mainly due to the growth in the revenue from W-Fi products this year. 2. Increase in operating cost: This is due to the increase in operating revenues and the increase of operating costs was higher than the increase in operating revenues due to differences in the product portfolio. 3. Increase in gross operating profit: This is due to the growth in operating revenues. 4. Increase in operating profits: The operating revenues in this year grew by 95%. However, the Company successfully implemented control over changing costs and expenses which limited the increase of operating expenses to 20% and significantly increased operating profits. 5. Increase in non-operating income and expenses: This is mainly due to the increase of approximately NT\$6,008 thousand in the net exchange gains this year compared to the previous year. 6. Net profit before tax: The change is mainly due to the growth in operating revenues this year. 7. Increase in income tax expenses: This is mainly due the increase in taxes as a result of the increase in profits. 8. Increase in net profit of this period: This is mainly due to the growth in operating revenues. 				

2. Financial analysis - parent company only:

Unit: NT\$ thousands

Item/Year	2019	2020	Amount of increase (decrease)	Percentage of increase (decrease)
Net operating revenue	2,749,555	5,350,200	2,600,645	95%
Operating costs	<u>1,764,877</u>	<u>3,451,573</u>	1,686,696	96%
Gross operating profit	984,678	1,898,627	913,949	93%
Operating expenses	<u>739,162</u>	<u>890,586</u>	151,424	20%
Operating profit	245,516	1,008,041	762,525	311%
Non-operating income and expenses	(1,771)	9,066	10,837	612%
Net profit before tax	243,745	1,017,107	773,362	317%
Income tax expenses	<u>53,008</u>	<u>150,891</u>	97,883	185%
Current net profit	<u>190,737</u>	<u>866,216</u>	675,479	354%
<p>The main reasons for increase or decrease of more than 20% are provided below:</p> <ol style="list-style-type: none"> 1. Increase in net operating revenue: This is mainly due to the growth in the revenue from W-Fi products this year. 2. Increase in operating cost: This is due to the increase in operating revenues and the increase of operating costs was higher than the increase in operating revenues due to differences in the product portfolio. 3. Increase in gross operating profit: This is due to the growth in operating revenues. 4. Increase in operating profits: The operating revenues in this year grew by 95%. However, the Company successfully implemented control over changing costs and expenses which limited the increase of operating expenses to 20% and significantly increased operating profits. 5. Increase in non-operating income and expenses: This is mainly due to the increase of approximately NT\$6,008 thousand in the net exchange gains this year compared to the previous year. 6. Net profit before tax: The change is mainly due to the growth in operating revenues this year. 7. Increase in income tax expenses: This is mainly due the increase in taxes as a result of the increase in profits. 8. Increase in net profit of this period: This is mainly due to the growth in operating revenues. 				

3. Expected sales, possible impact on the Company's future financial operations and response plans: No material impact expected based on evaluations.

III. Cash Flow Analysis

1. Cash flow analysis - consolidated:

Unit: NT\$ thousands

Initial cash balance	Annual net cash flow from operating activities	Annual net cash outflow due to investing and financing activities	Cash balance	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
779,049	285,328	(220,763)	844,265	—	—

1. Analysis of annual cash flow changes in this year:

- (1) Operating activities: The changes are mainly due to the continuous increase in profitability and sales this year and the continuous collection of accounts receivable. However, the inventories were increased in response to sales demand and the cash inflow this year amounted to approximately NT\$285,000 thousand.
- (2) Investing activities: The Company continues to invest in the purchase of R&D equipment and the cash outflow amounted approximately NT\$84,000 thousand.
- (3) Financing activities: The repayment of short-term loans and distribution of cash dividends and employee stock options this year resulting in a cash outflow of approximately NT\$136,000 thousand.

2. Remedy for cash shortage and liquidity analysis: Not applicable.

3. Cash liquidity analysis for the next year:

- (1) Cash inflow from operating activities of NT\$200,000 thousand: Mainly due to net operating profit.
- (2) Cash outflow from investing activities of NT\$70,000 thousand: Mainly due to increased capital expenditures.
- (3) Cash outflow from investing activities amounted to NT\$270,000 thousand.

2. Cash flow analysis - parent company only:

Unit: NT\$ thousands

Initial cash balance	Annual net cash flow from operating activities	Annual net cash outflow due to investing and financing activities	Cash balance	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
764,755	286,128	(220,763)	830,771	—	—
<p>1. Analysis of annual cash flow changes in this year:</p> <p>(1) Operating activities: The changes are mainly due to the continuous increase in profitability and sales this year and the continuous collection of accounts receivable. However, the inventories were increased in response to sales demand and the cash inflow this year amounted to approximately NT\$285,000 thousand.</p> <p>(2) Investing activities: The Company continues to invest in the purchase of R&D equipment and the cash outflow amounted approximately NT\$84,000 thousand.</p> <p>(3) Financing activities: The repayment of short-term loans and distribution of cash dividends and employee stock options this year resulting in a cash outflow of approximately NT\$136,000 thousand.</p> <p>2. Remedy for cash shortage and liquidity analysis: Not applicable.</p> <p>3. Cash liquidity analysis for the next year:</p> <p>(1) Cash inflow from operating activities of NT\$200,000 thousand: Mainly due to net operating profit.</p> <p>(2) Cash outflow from investing activities of NT\$98,500 thousand: Mainly due to increased capital expenditures.</p> <p>(3) Cash outflow from investing activities amounted to NT\$270,000 thousand.</p>					

IV. Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year

None.

V. Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability, and Investment Plans for Coming Year

The Company currently does not have any reinvestments or any profit or loss as a result of reinvestment. The Company will continue to focus on existing businesses for the next year and we have no investment plans.

VI. Risk Analysis and Assessment

(I) Effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1. Impact of changes in interest rates:

The Company readily observes the effects of changes in financial market interest rates

on cash flow and takes response measures based on actual requirements.

2. Impact of changes in exchange rates:

The Company's sales revenue and procurement expenditures are mostly denominated in USD and we use foreign-currency assets to offset foreign-currency liabilities to achieve natural hedging. The Company also closely monitors information on exchange rate changes and exchange rate developments in order to adjust foreign-currency assets and liabilities in accordance with developments in the global macroeconomic environment, exchange rates, and future capital demand. These measures are taken to evade exchange rate risks and reduce the impact of exchange rate changes on the Company's profit and loss.

3. Inflation:

The Company closely monitors the fluctuations in the materials market and product prices and has not experienced any immediate major impact from inflation at home or abroad.

(II) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

The Company has established the "Procedures for Acquisition and Disposal of Assets", "Procedures for Loans and Making Endorsements and Guarantees", and "Procedures for Engaging in Transactions of Derivative Products" as the standards for related operations and these regulations have been passed in resolutions of the shareholders' meeting. The Company has not engaged in any high-risk, high-leverage investment, loans to other parties, endorsements and guarantees, or transaction in derivative products in the past year and as of the publication date of the Annual Report.

(III) Future R&D plans and expected R&D expenditures:

(1) Future R&D projects:

Item	Main Functions and Specifications
RFIC FEMs for WiFi and LTE applications	<ul style="list-style-type: none">● RF components include LNAs, PAs, and switches.● Front-end module.
FEM systems for mobile phone applications	<ul style="list-style-type: none">● Power amplifier module.● Front-end module.● B. Digital chips for FM radio applications.
SOC and tuner for wireless video and audio applications	<ul style="list-style-type: none">● Low-power and high-performance video and audio compression SOC and high-speed digital radio transceiver chips for high-resolution wireless video and audio applications.● Digital radio RF front-end components.
Chips for applications related to hand-held systems.	<ul style="list-style-type: none">● Short-distance, low power consumption, and interference-resistant wireless communication chips and chips for applications related to hand-held systems.

(2) Estimated R&D expenditures:

The Company plans to invest approximately NT\$600,000 thousand in R&D expenditures in 2020 and we shall continue to maintain growth in R&D expenditures based on the development progress of new products and new technologies to maintain our competitive advantages.

(IV) The impacts of changes of important domestic and foreign policies and laws on the Company's finances and business, and the measures to be taken in response:

1. The Company complies with all related domestic and foreign laws and regulations in day-to-day operations and continuously pays close attention to domestic and foreign policy development trends and changes in legislation to fully understand changes in the market environment. Therefore, the Company's finance and business have not been affected by major changes in government policies and laws at home and abroad in the most recent year.
2. IFRS implementation schedule and measures to be taken in response: The Company has prepared the financial statements in accordance with the International Financial Reporting Standards (IFRS) since 2013.

(V) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

The Company continuously monitors technological changes and developments in the

industry and quickly gains information on industry developments.

RichWave continuously enhances its R&D capabilities, applies for patent protection for various innovative concepts and design developments, and actively expands future market applications to counter the impact of technological changes and industry changes on the Company.

(VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

Since the establishment of the Company, we have complied with related regulations, actively enhanced internal management, improved management quality and performance, and maintained harmonious employer-employee relations to maintain a good corporate image. There has been no incident that affected our corporate image.

(VII) Expected benefits and possible risks of merger and acquisition, and measures to be taken in response: Not applicable.

(VIII) Expected benefits and possible risks of facilities expansion, and measures to be taken in response: Not applicable.

(IX) Risks associated with over-concentration in purchase or sale and response measures:

The Company's procurement is concentrated due to concerns in product quality and preferred purchasing price, though the Company maintains at least two suppliers for its main materials avoid risks resulting from over-concentration in purchasing. In addition, the concentration of the Company's sales is mainly due to the distributors' sales to customers in Taiwan and China. To mitigate the risks of over-concentration of sales, the Company also actively develops customers with long-term cooperation and carefully selects customers of excellent financial background to lower the risks of over-concentration of sales.

(X) Impact and risk associated with large share transfers or changes in shareholdings of directors, supervisors, or shareholders who hold more than 10% of the Company's shares, and response measures: None.

(XI) Impact and risk associated with changes in management rights, and response measures: Not applicable.

(XII) Litigation or non-litigation events:

Tan Kong Precision Tech Co., Ltd. filed a suit against the Company's President (the President had served as the Company's Chairman prior to April 2010) in April 2009 and claimed an infringement of trade secret. It also filed a claim against the Company for joint infringement with a civil claim of NT\$57,951 thousand. The criminal case was dismissed by the court of first instance and the civil claim was rejected. The appeal filed by Tan Kong

Precision Tech Co., Ltd. was also denied. For the same case, Tan Kong Precision Tech Co., Ltd. (and its subsidiary in the United States) also filed a claim for compensation for losses (amount unspecified) in the United States in December 2006. The court dismissed the case on the grounds of the lack of jurisdiction. After Tan Kong Precision Tech Co., Ltd. filed an appeal, the original court reexamined the case and rejected the claim filed by Tan Kong Precision Tech Co., Ltd. against the Company and the President of the Company. Tan Kong Precision Tech Co., Ltd. filed another appeal in February 2012. However, the court of appeal deemed that Tan Kong Precision Tech Co., Ltd. did not relinquish its claim against the Company and overturned the judgment of the trial court on Jun. 24, 2015. It ruled that the case should be returned to the district court and restored to the state before substantive examination in 2011. The Company and Tan Kong Precision Tech Co., Ltd. reached a settlement on March 31, 2017. According to the settlement agreement, the Company paid a settlement of US\$2.5 million to resolve related disputes involving trade secrets between both parties. The settlement had a positive impact on the Company and helped the Company focus on operations.

(XIII) Risk management organization structure:

The Company's risk management tasks are dispersed among different functions inside the Company. The Company has established sound internal management guidelines and operating procedures and has developed comprehensive plans and processes for risk aversion, loss prevention and crisis management. In addition, the Company's management keeps continuous watch over changes in the macroeconomic environment that might affect the Company's business and operations and has assigned staff to make planning and formulate response actions against all kinds of contingencies to minimize operational uncertainties.

(XIV) Other significant risks and response measures: None.

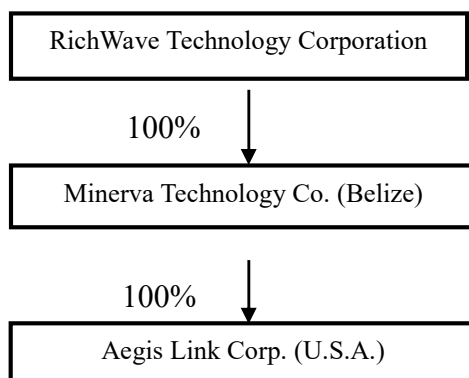
VII. Other Important Matters

Chapter IX. Special Disclosure

I. Information on the Company Affiliates

(I) Consolidated business report of affiliates:

1. Organization chart of affiliates: Dec. 31, 2020



2. Basic information of affiliates:

Dec. 31, 2020; Unit: foreign currency

Enterprise name	Date established	Address	Paid-in capital	Main business or products
Minerva Technology Co. (Belize)	Dec. 2018	Belize	USD 550,000	Investment holding company
Aegis Link Corp. (U.S.A.)	Jan. 2019	United States	USD 500,000	Business promotion

3. The Company does not have affiliates for which it is presumed as having control and subordinate relationships specified in Article 369-3 of the Company Act.

4. Industries covered by the business operations of affiliates:

The business operations of the Company and affiliates include the design, sales, and business promotion of integrated circuits (ICs) for wireless telecommunication products. The main business operations of the Company's affiliates mainly include R&D and sales of RFIC front-end modules (FEMs) for WiFi connectivity solutions (including power amplifiers, low noise amplifiers, switches, and integrated FEMs) and 2.4GHz wireless video and audio transmission RFIC and SOC and general investment.

5. Information on directors, supervisors, and general managers of affiliates:

Enterprise name	Title	Name or representative	Shareholding	
			Shares	Shareholding ratio
Minerva Technology Co. (Belize)	Director	Dye-Jyun Ma	0	0%
Aegis Link Corp. (U.S.A.)	Director	Dye-Jyun Ma	0	0%

6. Overview of the operations of affiliates:

As of Dec. 31, 2020; Unit: in thousand NTD except for EPS

Enterprise name	Capital	Total value of assets	Total value of liabilities	Net worth	Operating revenue	Operating profit	Current profit and loss (after tax)	EPS (NT\$) (after tax)
Minerva Technology Co. (Belize)	16,940	13,494	0	13,494	0	0	(88)	0
Aegis Link Corp. (U.S.A.)	15,428	12,059	0	12,059	0	0	(89)	0

(II) Consolidated financial statement of affiliates:

For the year 2020 (from Jan. 1 to Dec. 31, 2020), the Company's entities that are required to be included in the consolidated financial statements of affiliated enterprises under the "Criteria Governing Preparation of Consolidated Business Report of Affiliated Enterprises, Consolidated Financial Statements of Affiliated Enterprises, and Affiliation Reports" are the same as those required to be included in the parent-subsidiary consolidated financial statements under the International Financial Reporting Standards 10. Moreover, the related information required to be disclosed for the consolidated financial statements of affiliates has been fully disclosed in the aforementioned parent-subsidiary consolidated financial statements. Consequently, a separate set of consolidated financial statements of affiliated enterprises is not prepared (refer to page 98 to 199).

(III) Affiliation Report: Not applicable.

II. Private Placement of Securities During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report

None

III. Holding or Disposal of Shares in the Company by the Company's Subsidiaries During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report

None.

IV. Other Supplementary Information

None.

Chapter X. Situations Listed in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act Which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities Occurring During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report

None.