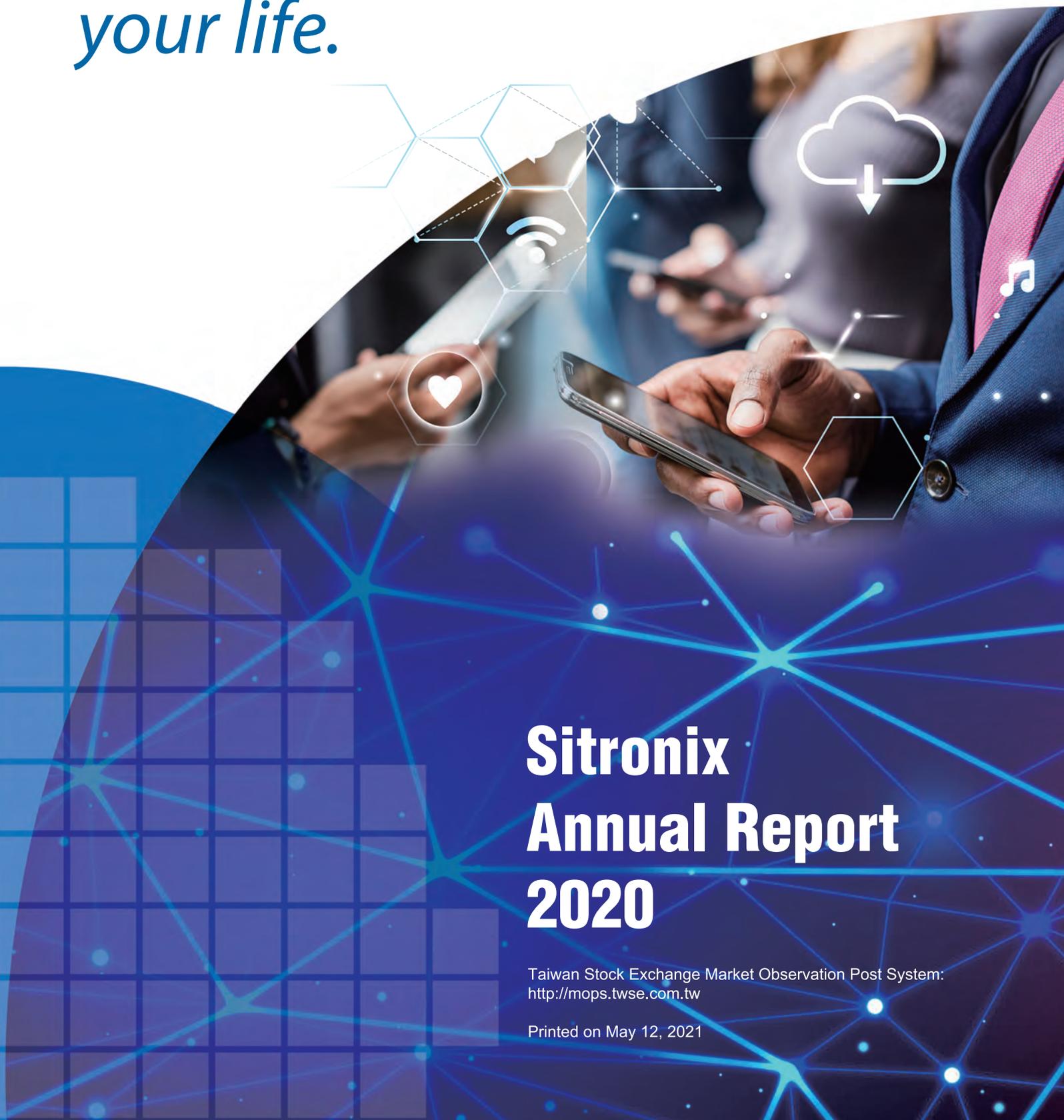


Sitronix

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Sitronix Annual Report 2020

Taiwan Stock Exchange Market Observation Post System:
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Printed on May 12, 2021

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Name of overseas securities dealers and methods to inquire into overseas securities:

Not Applicable

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Chapter 1 Letter to Shareholders

Dear shareholders,

I Operating Performance in 2020

(I) Implementation results of the business plan

In 2020, the annual consolidated operating revenue of Sitronix totaled about NT\$13.8 billion, the consolidated operating gross profit was NT\$4.786 billion, the consolidated net profit after tax was NT\$2.164 billion, and the after-tax EPS was NT\$11.53 per share.

Despite the impact of the epidemic on the consumer market in 2020, the Company's revenue has regained momentum since the second half of the year, and we also look forward to continuing to achieve peak performance with the continuous efforts of all our colleagues and the support of our shareholders in the future.

(II) Budget performance

Sitronix did not disclose the financial forecasting for the year 2020; thus it is unnecessary to disclose the budget performance.

(III) Profitability analysis

| Item Analyzed | | Year | |
|--------------------------------------|-------------------|---------------|---------------|
| | | 2020 (Note 2) | 2019 (Note 2) |
| Return on Assets (%) | | 17.65% | 20.35% |
| Return on Equity (%) | | 27.24% | 32.81% |
| Ratio in Paid-in Capital (%) | Operating Profit | 198.36% | 173.67% |
| | Income before Tax | 210.06% | 183.40% |
| Net Profit Rate (%) | | 15.67% | 14.04% |
| Net Profit Per Share (NT\$) (Note 1) | | 11.53 | 10.27 |

Note 1: Calculated by the weighted average number of shares outstanding in the current year.

Note 2: Consolidated financial information using IFRS.

(IV) The condition of research and development

As the feature phone display driver ICs (DDI) market leader, Sitronix is also committed to expanding the DDI categories of smartphones. In addition, the Company has continued to strengthen the development of non-mobile DDI products such as automobile and industrial DDIs, touch controllers, ambient light sensing chips, distance sensors, and MEMS sensors. The future growth can be well expected.

II Business Plan Summary for 2021

In 2021, Sitronix will persistently adhere to the strategy of product differentiation and diversification.

In terms of product diversification, the Company has been involved in various DDI markets such as feature phones, smartphones, wearable devices, automobiles, and industrial devices and also engaged in non-DDI products such as MCUs, power management ICs, distance sensors, optical sensors, and MEMS sensors.

As for product differentiation, Sitronix continuously innovates, researches and develops, upholding the principle of R&D innovation and providing competitive and differentiated products for customers.

III Future Development Strategies of the Company

Looking forward to the future, in addition to continuously strengthening the R&D and sales capabilities and adhering to the strategy of developing product differentiation and diversification, the Company will also strive to improve the design to reduce costs and maintain a good gross margin. Furthermore, the Company will continue to strengthen the control and management of expenses and enhance profitability. In general, Sitronix will continue to

maintain sustained and steady growth and share the fruitful operating results with our shareholders, customers, and employees. Thank you again for your long-term support and care.

IV Impacts of External Competition, Regulatory and Overall Business Environment

In order to strengthen the grasp of the external competition, regulatory and overall business environment, the Company attaches great importance to corporate governance and corporate social responsibility and implements environmental protection laws and regulations.

Thank you for the support and care, Sitronix will make greater efforts to achieve maximum success and share it with you all.

Wishing you good health and happiness!

Sitronix Technology Corp.
Chairman, Vincent Mao

Chapter 2 Company Profile

I Company Profile

(I) Date of incorporation

The Company was established on July 9, 1992.

(II) Company history

| | |
|------|--|
| 1992 | ✦ Guanlin Technology was incorporated in Taipei with a capital of NT\$5 million. |
| 1993 | ✦ Established a microcontroller software design team. |
| 1994 | ✦ Made a cash capital increase of NT\$5 million. |
| 1995 | ✦ Established a computer peripheral software design team. |
| 1996 | ✦ Established a consumer electronics software R&D team. |
| 1997 | ✦ Made a cash capital increase of NT\$10 million. |
| 1998 | ✦ Made a cash capital increase of NT\$50 million. |
| | ✦ Guanlin Technology officially changed its name to "Sitronix Technology" and reconstructed and transformed it into an IC design company. |
| | ✦ Established a consumer IC design team and set up the System-on-Chip (SOC) Business Unit. |
| | ✦ Gained the investment incentive of "Important Technology Enterprise" from the Industrial Development Bureau, Ministry of Economic Affairs. |
| 1999 | ✦ Completely transformed into an IC design company. |
| | ✦ Launched a SOC-based consumer IC product. |
| | ✦ Established the Liquid Crystal Drive (LCD) Business Unit. |
| | ✦ Made a cash capital increase of NT\$110 million. |
| 2000 | ✦ Mr. Chen-Chang Hsu, the corporate representative of Wintek Corporation, served as the chairman of the Company. |
| | ✦ Public offering approved by the Securities and Futures Commission, Ministry of Finance. |
| | ✦ Launched electronic dictionary ICs and LCD Driver for OA. |
| 2001 | ✦ Successfully developed the LCD Driver displaying Chinese fonts and LCD Driver for PDAs. |
| | ✦ Gained the investment incentive of the "Important Emerging Strategic Industry" from the Industrial Development Bureau, Ministry of Economic Affairs. |
| 2002 | ✦ The first LCD Driver for mobile phones was mass-produced and delivered. |
| | ✦ Launched a new generation electronic dictionary platform. |
| | ✦ Launched a HIFAS series of LCD drivers. |
| | ✦ Made a cash capital increase of NT\$35 million. |
| | ✦ Listing and transactions on the Emerging Market approved by Taipei Exchange (TPEX), under the stock code of R246. |
| 2003 | ✦ Obtained the "Letter of Opinion on Successfully Developed Product/Technology with Market Potential by a Technology Enterprise" from Technology Enterprise Commission, Industrial Development Bureau. |
| | ✦ Approved by the Ministry of Economic Affairs to invest and set up factories in mainland China. |
| | ✦ Launched the LCD Driver for color mobile phones. |
| | ✦ Officially listed on the Technology Sector of Taiwan Stock Exchange (TWSE) under the stock code of 8016 on December 25, 2003. |
| 2004 | ✦ Indirectly invested in Sitronix Technology (Shenzhen) LLC to engage in the development, sales, and after-sales service of computer hardware and software products and provide related technical consulting services. |
| | ✦ Successfully developed the TFT-LCD driver chips for mobile phones. |

| | |
|------|---|
| | ✦ Successfully launched the high-end electronic dictionary chipset. |
| | ✦ Started mass production and delivery of the CSTN Driver ICs for mobile phones. |
| 2005 | ✦ Reinvested in Sida Technology Corporation with a 55% shareholding. |
| | ✦ Completed a new generation architecture platform for electronic dictionary. |
| | ✦ Established the technology of hardware and software for music players. |
| | ✦ Completed the research and development of the educational toy product line. |
| | ✦ Completed the CSTN Driver for the HIFAS architecture. |
| | ✦ Introduced the TFT Mobile Driver for mass production. |
| | ✦ Built the technical capability for the Large Panel Driver. |
| 2006 | ✦ Reinvested in Sifa Technology Corporation with a 25% shareholding. |
| | ✦ Passed the global quality certification SGS ISO-9001. |
| | ✦ Completed the audio DSP software and hardware development. |
| | ✦ Built the software and hardware platform for 32-bit CPUs. |
| | ✦ Introduced the HIFAS Color STN Driver for mass production. |
| | ✦ Built the technology for LCD Driver for automobiles. |
| | ✦ Introduced the Mobile and Monitor TFT Driver for mass production. |
| | ✦ Built the R&D technology for LCD TV Driver. |
| 2007 | ✦ Named as one of the top 50 IC design houses in IC Insights' Strategic Reviews for the first time in 2007. |
| | ✦ Made a cash capital increase of 3.5 million common shares by private placement and successfully introduced strategic partners. |
| | ✦ Monthly sales broke through NT\$600 million for the first time. |
| | ✦ Built an 8-bit and 32-bit digital photo frame system. |
| | ✦ USB interface single chip for wafer reader was recognized by the international manufacturers and introduced for mass production. |
| | ✦ Introduced the Green Driver MSTN/CSTN for mass production and built the R&D technology for Green Driver TFT. |
| | ✦ Introduced the automobiles LCD Driver for mass production. |
| | ✦ Completed the new technology of Crosstalk compensating circuit and introduced for mass production. |
| | ✦ Introduced the Monitor TFT Driver for mass production. |
| | ✦ Completed the verification of 8 bits Source Driver for LCD TV. |
| | ✦ Completed the verification of 400 Channels Gate Driver for LCD monitors. |
| | ✦ Completed the verification of 1200 Channels Source with 480/600 Channels Gate for AV monitor. |
| 2008 | ✦ Built a multi-functional personal karaoke player. |
| | ✦ Introduced the Palette Driver for mass production. |
| | ✦ Researched and developed the E-Paper driver chip. |
| | ✦ Introduced the LCD driver IC for CABC & Dot Inversion TFT mobile phones. |
| | ✦ Started the mass production of 6 bits 642/720 Channels Source Driver/400 Channels Gate Driver for LCD monitors. |
| | ✦ Completed the verification of 6 bits 960 Channels Source Driver/8 bits Source Driver for LCD monitors. |
| | ✦ Started the mass production of 1200 Channels Source Driver and 600 Channels Gate Driver for low-price notebook panels and completed the verification of 480 Channels Gate Driver. |

| | |
|------|--|
| 2009 | ✦ Started the mass production of products with small-size TFT LCD driver single-chip built-in capacitor technology. |
| | ✦ Started the mass production of products with small-size TFT LCD driver single-chip built-in backlight power-saving technology. |
| | ✦ Researched and developed the TFT LCD drive single-chip Green Driver technology for mobile phones. |
| | ✦ Started the mass production of mini-LVDS/RSDS 6 bits 960 channels COF source driver for LCD monitors. |
| | ✦ Completed the verification of mini-LVDS 6 bits 1026 channels COF source driver for LCD monitors. |
| | ✦ Completed the verification of mini-LVDS 768 channels COG source driver for notebook panels. |
| | ✦ Started the mass production of 2 Channels protection ICs for game console power adapters. |
| | ✦ Completed the verification of 4 Channels/3 Channels protection ICs for switching power supplies. |
| | ✦ Started the mass production of source driver for 1200 Channels built-in Timing Controller for digital photo frame panels. |
| | ✦ Multimedia e-cards. |
| 2010 | ✦ A new generation of multi-functional control chips and processing platform. |
| | ✦ Portable music singing solution. |
| | ✦ Audio and sound control platform. |
| | ✦ The program of 32-bit processor applied in the learning machine market. |
| | ✦ A new generation of 32-bit processor chips. |
| | ✦ The controller chips for Apple accessories products. |
| | ✦ Expanded the driver chips built-in capacitor products for mobile phones. |
| | ✦ Built the small-size, medium, and high-resolution drive chip technology without capacitor. |
| | ✦ Researched and developed the small-size driver chips of integrated circuit for reducing memory unit. |
| | ✦ Built the driver chip high-speed single-channel interface technology for mobile phones. |
| | ✦ Started the mass production of mini-LVDS 768 channels COG source driver for notebook panels. |
| | ✦ Completed the verification of the 960ch gate driver supporting Dual gate architecture for medium-size panels. |
| | ✦ Completed the verification of source drive with 1200 channels built-in Timing Controller for automotive panels. |
| | ✦ Started the mass production of mini-LVDS 6 bits 1026 channels COF source driver for LCD monitors. |
| | ✦ Started the mass production of Source/Gate driver for industrial panels. |
| 2011 | ✦ Expanded the TFT LCD single-chip driver built-in capacitor products for mobile phones. |
| | ✦ Expanded the TFT LCD single-chip driver built-in capacitor products for mobile phones. |
| | ✦ Built the TFT LCD medium and high-resolution drive single-chip technology without capacitor for mobile phones. |
| | ✦ Built the driver single-chip high-speed single-channel interface technology for mobile phones. |
| | ✦ Introduced the new STN Driver IC for customer testing and successfully introduced for mass production at the end of the year. |
| | ✦ Completely developed the TN Driver COG IC and introduced it to the market for promotion. |
| | ✦ Developed the medium-sized TFT 800*480 resolution 2 chip solution, high pin count gate driver, built-in timing generation circuit, driver IC supporting 1024*768 resolution, and arbitrary resolution timing generation circuit. |
| | ✦ Developed the driver IC built-in timing generation circuits, real 8-bit driver chips, and temperature compensation circuits for automotive TFT panels. |
| | ✦ Started the mass production of multi-finger touch solutions for tablet computers. |

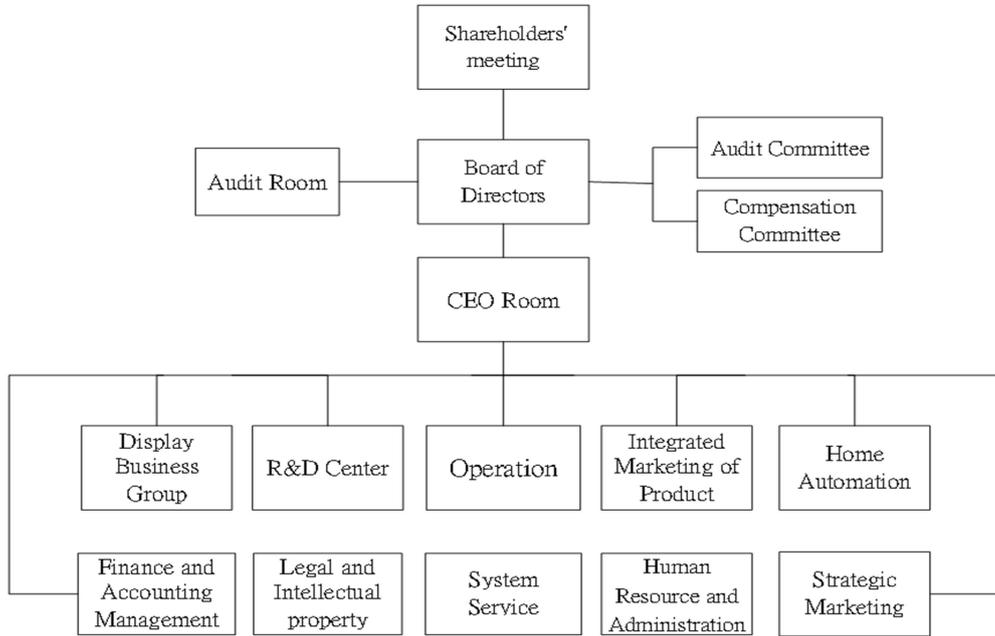
| | |
|------|--|
| 2011 | ✦ Passed the certification of Win7 10-finger touch Logo. |
| | ✦ Started the mass production of a new generation of five-finger touch single chip for smartphones. |
| | ✦ Built the Single-layer ITO touch sensing technology. |
| | ✦ Launched a multi-finger touch single chip designed specifically for tablet computers. |
| | ✦ Completed the support of OGS (One Glass Solution) multi-finger touch technology. |
| | ✦ Built the multi-touch technology that could resistant to high noise of power adapters. |
| 2012 | ✦ Built the drive single-chip technology with small-size, TFT LCD, medium and high resolution, without capacitor. |
| | ✦ Developed the driver chip with built-in timing generation circuits and power circuits. |
| | ✦ Developed the control chip for 3D glasses. |
| | ✦ Mono-STN Green Driver external power supply system. |
| | ✦ Developed the 1024*600 resolution 2 Chip solution. |
| 2013 | ✦ Built the TFT LCD driver IC with high-speed interface, high-speed SRAM, Line buffer technology for mobile phones. |
| | ✦ HD720(800*1280) for LTPS LCD Driver. |
| | ✦ Built the small-size drive single-chip technology with TFT LCD, medium and high resolution without capacitor for feature phones. |
| | ✦ Developed the ES of PND 480x272 0C driver ICs. |
| | ✦ Researched and developed the STN DRIVER NEW BOOST SYSTEM WITH ZERO CAPS. |
| 2014 | ✦ 2/4 direction gesture control proximity sensor. |
| | ✦ Small sensor hole proximity sensor. |
| | ✦ 320*240 resolution STN display driver chip for industrial control instrument. |
| | ✦ 480*272 resolution color TFT display driver chip for Smart Home product. |
| | ✦ HVGA(480*320) Zero Cap a_Si TFT LCD driver IC. |
| | ✦ HD720(1280*800) a_Si TFT LCD driver IC. |
| | ✦ WVGA Burst Out DC/DC Convertor for Zero Cap Driver IC. |
| | ✦ MIPI with 1.5G pbs Lane Speed. |
| | ✦ Touch IP for TDDI (Touch + display driver) Integrated IC. |
| 2015 | ✦ 320*240 STN with LVDS display driver chip for industrial control instrument. |
| | ✦ 800*480 STN display driver chip for industrial control instrument. |
| | ✦ 1.5 m/m small-sensor-hole proximity sensors. |
| | ✦ 1920*720 1440-channel TFT display driver chip for automotive center stack/instrument cluster. |
| 2016 | ✦ Announced to launch the HD720 Zero capacitor version. |
| | ✦ Announced to launch the FHD Zero capacitor version. |
| 2017 | ✦ Started the mass production of automotive touch controller. |
| | ✦ Launched the upgrade version of the distance sensor. |
| 2018 | ✦ Launched the low power consumption industrial control DDI products. |
| | ✦ Launched the micro-gap distance sensor and under-screen distance sensor. |
| 2019 | ✦ Launched the upgrade version of the distance and ambient light sensors. |
| | ✦ Launched the advanced drive chip for industrial control displays. |
| | ✦ Launched the drive chip for wearable display. |

| | |
|------|--|
| 2020 | ✦ Launched the RGB + Flicker sensor for mobile phones and cameras. |
| | ✦ Launched the drive chip for AMOLED wearable display. |
| | ✦ Launched the drive chip for PMOLED industrial control display. |

Chapter 3 Corporate Governance Report

I Organization

(I) Chart of Organization Structure (December 31, 2020)



(II) The Business of Each Major Department

| | |
|------------------------------------|---|
| CEO Room and Auditing Room | <ol style="list-style-type: none"> 1. Establish the Company's operating policies, major strategies and formulate operational objectives. Planning and implementation of strategic investment cooperation. 2. Implement and manage internal audits and improve the performance of management. |
| Finance and Accounting Management | <ol style="list-style-type: none"> 1. Comprehensively allocate financial funds, establish and maintain the relevant accounting business. 2. Handle related affairs of the shareholders' meeting and shareholder services. |
| System Service | Responsible for the automation of the Company's operating system and the delivery management of electronic messages. |
| Human Resources and Administration | <ol style="list-style-type: none"> 1. Implement the planning and development of the human resource and welfare services of employee. 2. Comprehensively handle the general affairs, procurement, insurance and property management. |
| Strategic Marketing | <ol style="list-style-type: none"> 1. Application technology survey, feasibility evaluation and implementation of strategy. 2. Survey, feasibility evaluation and implementation of technical team investment. 3. Evaluation and promotion of the research institution cooperation project. 4. Management of investment corporation and media relations |
| Home Automation | Design and produce intelligent switch, intelligent socket, home automation related products. |
| Integrated Marketing of Product | <ol style="list-style-type: none"> 1. Promotion of new product market. 2. Strategic research and analysis of product market. 3. Cross-industry analysis and planning research. 4. Strategic research of product integrating promotion. |

| | |
|---------------------------------|--|
| Legal and Intellectual Property | Manage the legal affairs and intellectual property rights related affairs. |
| Operation | <ol style="list-style-type: none"> 1. Responsible for product sales and service, domestic and international market development and marketing plan. 2. Responsible for analysis and management of customer claims, development of application software of related products and functional verification. 3. Management of the delivery reply, delivery reminder and customer service. 4. Planning and execution of product development engineering activities. 5. Planning and implementing mass production and product delivery. 6. Monitoring and improving product and supplier quality. 7. Planning and implementing of product cost improvement. |
| Display Business Group | <ol style="list-style-type: none"> 1. Responsible for specification planning, product development, market information collection, production and customer support for the display driver product. 2. Responsible for specification planning, product development, market information collection, production and customer support for products of touch control technology. 3. Development of application software of related products and functional verification. 4. Development and maintenance of the product system verification tools and methods. 5. Drawing IC layout graphics and its data archive and backup. 6. Development and maintenance of core tools of various circuit architectures, software and hardware related to the preceding task. |
| R&D Center | <ol style="list-style-type: none"> 1. Responsible for specification planning, product development, market information collection, production and customer support for products of automotive electronics technology. 2. Development of application software of related products and functional verification. 3. Development and maintenance of the product system verification tools and methods. 4. Drawing IC layout graphics and its data archive and backup. 5. Development and maintenance of core tools of various circuit architectures, software and hardware related to the preceding task. |

II Information of Directors, Supervisors, General Managers, Assistant General Managers, Assistants and Heads of Departments and Branches

(I) Information of directors

April 25, 2021; Unit: share, %

| Title | Nationality or Place of Registration | Name | Gender | Selected (Entered Office) Date | Tenure (years) | Date First Elected | Shareholding at the Time of Appointment | | Current shareholding | | Shareholding by Spouse and Minor Children | | Shareholding through Nominees | | Major Education and Work Experience | Position(s) Held Concurrently in the Company and/or in Any Other Company | Other Managers, Directors and Supervisors Roles Held by Spouse or Second-degree Relations | | | Remarks |
|----------------------|--------------------------------------|--|--------|--------------------------------|----------------|--------------------|---|--------------|----------------------|--------------|---|--------------|-------------------------------|--------------------|---|---|---|------|--------------|----------|
| | | | | | | | Number of Shares | Percentage % | Number of Shares | Percentage % | Number of Shares | Percentage % | Number of Shares | Shareholding ratio | | | Title | Name | Relationship | |
| Chairman | R.O.C. | Vincent Mao | Male | 6/27/2018 | 3 | 7/9/1992 | 633,039 | 0.53% | 1,771,699 | 1.47% | 71,243 | 0.06% | - | - | EMBA, National Taiwan University Institute of Microelectronics, Cheng Kung University General Manager, Sitronix Technology Corp. Market Planning, United Microelectronics Corp. | Chairman & CEO, Sitronix Technology Corp. Chairman, Sitronix Holding International Limited. Director, mCore Technology Corp. Director, Sensortek Technology Corp. Chairman & CEO, Forcelead Technology Corp. Director, Infinno Technology Corp. Chairman, Sitronix Investment Corp. Director, Sync-Tech System Corp. Director, Silicon Power Computer & Communications Inc. Independent Director, Compal Broadband Networks Inc. Director, ezGlobal Corp. | - | - | - | (Note 2) |
| Director | R.O.C. | Wen-Bin Lin | Male | 6/27/2018 | 3 | 1/5/1999 | 2,200,000 | 1.83% | 2,200,000 | 1.83% | 1,100,000 | 0.92% | - | - | Electronics, Taipei Tech | None | - | - | - | - |
| Director | R.O.C. | I-Hsi Cheng (Note 1) | Male | 6/27/2018 | 3 | 1/5/1999 | 373,140 | 0.31% | 411,052 | 0.34% | 189,617 | 0.16% | - | - | Department of Electronics Engineering, NCTU Deputy Manager, Design Department, Novatek Microelectronics Corp. | CRO, Sitronix Technology Corp. Chairman, mCore Technology Corp. | - | - | - | - |
| Director | R.O.C. | Silicon Power Computer & Communications Inc. | - | 6/27/2018 | 3 | 6/11/2014 | 3,000,000 | 2.49% | 3,150,000 | 2.62% | - | - | - | - | - | - | - | - | - | - |
| | R.O.C. | Representative: Hui-Min Chen | Male | 6/27/2018 | 3 | 6/11/2014 | 20 | 0.00% | 20 | 0.00% | 20 | 0.00% | - | - | MBA, University of Central Oklahoma (U.S.) Assistant General Manager, Sales Division, Transcend Information, Inc. | Chairman & CEO, Silicon Power Computer & Communications Inc. Chairman, Silicon Power Computer & Communications Netherlands B.V Chairman, Silicon Power Computer & Communications USA Inc. Director, Wang Xin Investment Corp. Director, Silicon Power Investment Co., Ltd. Supervisor, Silicon Power Japan Co., Ltd. | - | - | - | - |
| Director | R.O.C. | Sheng-Su Lee (Note 3) | Male | 6/27/2018 | 3 | 06/22/2015 | 259,821 | 0.22% | 259,821 | 0.22% | - | - | - | - | Graduate Institute of Electrical Engineering, National Taiwan University General Manager, Sitronix Technology Corp. | Deputy Chairman & Deputy CEO, Silicon Power Computer & Communications Inc. Chairman & CEO, Sensortek Technology Corp. Director, Silicon Power Investment Co., Ltd. | - | - | - | - |
| Director | R.O.C. | Yan-Chiang Fan | Male | 6/27/2018 | 3 | 3/10/2000 | 938,424 | 0.78% | 1,000,000 | 0.83% | 2,423 | 0.00% | - | - | Yu Da High School of Commerce and Home Economics President, Shin Hwa Group | None | - | - | - | - |
| Independent Director | R.O.C. | Cheng-Chieh Dai | Male | 6/27/2018 | 3 | 6/10/2010 | 1,019 | 0.00% | 1,019 | 0.00% | 17,669 | 0.01% | - | - | Institute of Electrical Engineering, State University of New York at Stony Brook Department of Electrical Engineering, Cheng Kung University Assistant General Manager, Accusys, Inc. Business Manager, Elitegroup Computer Systems Inc. | General Manager, Accuvision Technology Inc. Director, Accuvision Technology Inc. Independent Director, NEXCOM International Co., Ltd. Director, STL Technology Ltd. Director, Cheng Yu Investment Co., Ltd. | - | - | - | - |
| Independent Director | R.O.C. | Yu-Nu Lin | Female | 6/27/2018 | 3 | 6/27/2018 | - | - | - | - | - | - | - | - | EMBA, Taiwan University Department of Accounting, Chengchi University Taiwan Securities Co., Ltd. Sales Deputy Manager KPMG Taiwan Intermediate auditor Passing the Accounting Entrance Exam | Financial Assistant General Manager, Chin-Poon Industrial Co., Ltd. | - | - | - | - |

Note 1: Director I-Hsi Cheng holds 1,200,000 shares of trust shares reserved with the right to decide utilization.

Note 2: Where the Chairman of the Board of Directors and the General Manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:
At present, the Chairman of the Board of Directors concurrently holds the post of CEO, which is reasonable and necessary to improve the decision-making efficiency of the operation and improve the performance of operation to create higher value for the Company. In addition, the Company intends to increase the number of independent Directors to conform to the spirit of corporate governance.

Note 3: Director Sheng-Su Lee holds 591,874 shares of trust shares reserved with the right to decide utilization.

(II) Major shareholders of the institutional shareholders

| Name of Institutional Shareholders | Top 10 Institutional Shareholders | Shareholding Percentage (%) |
|--|---|-----------------------------|
| Silicon Power Computer & Communications Inc. | Sitronix Technology Corp. | 6.53% |
| | Wang Xin Investment Corp. | 5.90% |
| | Guang Sheng Technology Co.,Ltd. | 3.80% |
| | Kao-Huang Lin | 3.15% |
| | Pei-Jung Yuan | 1.51% |
| | Trust Property Account Entrusted by Hui Ming Chen in Mega International Commercial Bank | 1.50% |
| | Shao-Li Huang | 1.28% |
| | Hui-Ming Chen | 1.15% |
| | Jian,Xian Technology Co.,Ltd. | 1.14% |
| | Trust Property Account Entrusted in Mega International Commercial Bank by Pei Jung Yuan | 0.96% |

Note: The shareholding information of Silicon Power Computer & Communications Inc. in April 25, 2021.

(III) Where major shareholder is legal person and its major shareholders:

| Name of Institutional Shareholders | Top 10 Institutional Shareholders | Shareholding Ratio |
|------------------------------------|--|--------------------|
| Sitronix Technology Corp. | Please refer to the information on top ten shareholders in the Company's annual report | - |
| Wang Xin Investment Corp. | Hui-Min Chen | 99.7% |
| | Xin-Xin Yang | 0.3% |
| Guang-sheng Investment LTD. | Li-Li Su | 12% |
| | Sheng-Su Lee | 12% |
| | Rui-Huan Lee | 76% |
| H&Z TECHNOLOGY LIMITED | Shu-Nuan Hou | 15% |
| | Xi-Bin Lee | 15% |
| | Shao-Hui Lee | 35% |
| | Rou-Wei Lee | 35% |

(IV) Whether the directors and supervisors have five or more years of work experience and professional qualifications and meet the following requirements:

April 25, 2021

| Name | Condition | 5 or More Years of Work Experience and Professional Qualifications (Note 1) | | | Meets the Independence (Note 2) | | | | | | | | | | | | Hold concurrent post of Independent Director of other publicly owned |
|---|-----------|---|---|---|---------------------------------|---|---|---|---|---|---|---|---|----|----|----|--|
| | | 1 | 2 | 3 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Chairman Vincent Mao | | | | ✓ | | | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | 1 | |
| Director Wen-Bin Lin | | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Director I-Hsi Cheng | | | ✓ | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Director - Silicon Power Computer & Communications Inc. Representative: Hui-Min Chen | | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ | | 0 | |
| Director Sheng-Su Lee | | | ✓ | | | ✓ | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | 0 | |
| Director Yan-Chiang Fan | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Independent Director Cheng-Chieh Dai | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 | |
| Independent Director Yu-Nu Lin | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |

Note 1: For any Director or Supervisor who meets the following professional qualification, please tick [✓] the box next to the corresponding conditions.✓

- (1) Lecturer or above in business, legal, finance, accounting or corporate business in public or private universities.
- (2) Judges, prosecutors, lawyers, CPA or other professionals and technicians who have passed the national examinations and obtained certificates necessary for the business of the Company.
- (3) Work experience in business, legal, finance, accounting or corporate business.

Note 2: For any Director or Supervisor who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, please provide the [✓] sign in the field next to the corresponding conditions.✓

- (1) Neither an employee of the Company nor its affiliates.
- (2) Neither a Director or Supervisor of the Company or any of its affiliates. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a Manager under preceding subparagraph (1) or any of the persons in the subparagraph (2) and (3).
- (5) Neither a Director, Supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or

that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.

- (6) If a majority of the Company's Director seats or voting shares and those of any other company are controlled by the same person, neither a Director, Supervisor, or employee of that other company. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.
- (7) If the Chairperson, General Manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses, neither a Director (or governor), Supervisor, or employee of that other company or institution. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.
- (8) Neither a Director, Supervisor, Officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. Not applicable in cases where a specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company, and where an independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.
- (9) Not a professional individual who, or an owner, partner, Director, Supervisor, or Officer 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 2 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 Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse or a relative within the second degree of kinship with any Director.
- (11) Any of the matters under Article 30 of the Company Act.
- (12) No government, legal person or its representative has been elected as provided in Article 27 of the Company Act.

(V) Information on the general manager, assistant general managers, deputy assistant general managers and the supervisors of all the Company's divisions and branches units

April 25, 2021; Unit: share, %

| Title | Nationality | Name | Gender | Selected (Entered Office) Date | Shareholding | | Shareholding by Spouse and Minor Children | | Shareholding through Nominees | | Major Education and Work Experience | Titles Currently hold concurrent posts in other companies | Managers Held by Spouse or Second-degree Relations | | | Remarks |
|-----------------------------------|-------------|-------------------------|--------|--------------------------------|------------------|--------------------|---|--------------------|-------------------------------|--------------------|--|--|--|------|--------------|----------|
| | | | | | Number of Shares | Shareholding ratio | Number of Shares | Shareholding ratio | Number of Shares | Shareholding ratio | | | Title | Name | Relationship | |
| Chairman & CEO | R.O.C. | Vincent Mao | Male | 4/28/2003 | 1,771,699 | 1.47% | 71,243 | 0.06% | - | - | EMBA, National Taiwan University Institute of Microelectronics, Cheng Kung University General Manager, Sitronix Technology Corp. Market Planning, United Microelectronics Corp. | Chairman, Sitronix Holding International Limited. Director, mCore Technology Corp. Director, Sensortek Technology Corp. Chairman & CEO, Forcelead Technology Corp. Director, Infinno Technology Corp. Chairman, Sitronix Investment Corp. Director, Sync-Tech System Corp. Director, Silicon Power Computer & Communications Inc. Independent Director, Compal Broadband Networks Inc. Director, ezGlobal Corp. | None | None | None | (Note 3) |
| General Manager | R.O.C. | Wei Wang | Male | 3/13/2013 | 111,719 | 0.09% | - | - | - | - | Department of Electronic, Chung Yuan Christian University Market Division Deputy General Manager, Holtek Semiconductor Inc. | Director, mCore Technology Corp. | None | None | None | None |
| CRO | R.O.C. | I-Hsi Cheng (Note 1) | Male | 4/1/2004 | 411,052 | 0.34% | 189,617 | 0.16% | - | - | Department of Electronics Engineering, NCTU United Microelectronics Corp. Deputy Manager, Design Department, Novatek Microelectronics Corp. | Chairman, mCore Technology Corp. | None | None | None | None |
| CRO | R.O.C. | Chun-Sheng Lin (Note 2) | Male | 2/1/2005 | 90,787 | 0.08% | 28,313 | 0.02% | - | - | Department of Electronic, Feng Chia University Executive Manager, R&D Division, EPSON | Director, Infinno Technology Corp. Director, Forcelead Technology Corp. | None | None | None | None |
| Assistant General Manager | R.O.C. | Meng-Huang Liu | Male | 3/13/2013 | 1,005 | 0.00% | - | - | - | - | Ph. D., Institute of Microelectronics, Cheng Kung University Senior Deputy Assistant General Manager, Analog Design Division, Sentelic Corporation Deputy Manager, Macronix International Co., Ltd | Director, Sync-Tech System Corp. | None | None | None | None |
| Supervisor of Financial Division | R.O.C. | Xu-Fang Hsu | Female | 17/1/2014 | 49,430 | 0.04% | - | - | - | - | Department of Accounting, Soochow University | Director, Sitronix Investment Corp. Supervisor, Sync-Tech System Corp. Supervisor, Infinno Technology Corp. Supervisor, mCore Technology Corp. Supervisor, Forcelead Technology Corp. | None | None | None | None |
| Supervisor of Accounting Division | R.O.C. | Xu-Fang Hsu | Female | 10/26/2011 | 49,430 | 0.04% | - | - | - | - | Department of Accounting, Soochow University | Director, Sitronix Investment Corp. Supervisor, Sync-Tech System Corp. Supervisor, Infinno Technology Corp. Supervisor, mCore Technology Corp. Supervisor, Forcelead Technology Corp. | None | None | None | None |

Note 1: CRO I-Hsi Cheng holds 1,200,000 shares of trust shares reserved with the right to decide utilization.

Note 2: CRO Chun-Sheng Lin holds 200,000 shares of trust shares reserved with the right to decide utilization.

Note 3: Where the Chairperson of the Board of Directors and the General Manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:

At present, the Chairman of the Board of Directors concurrently holds the post of CEO, which is reasonable and necessary to improve the decision-making efficiency of the operation and improve the performance of operation to create higher value for the Company. In addition, the Company intends to increase the number of independent Directors to conform to the spirit of corporate governance.

3. Remuneration for the General Managers and Assistant General Managers

December 31, 2020; Unit: NT\$ thousand

| Title | Name | Pay (A) | | Retirement Pension (B) (Note 1) | | Bonuses and Allowances (C) | | Employees' Remuneration (D) (Note 2) | | | | Ratio of A, B, C, D Total Remuneration to Net Income (%) | | Remuneration from an Invested Company Other than The Company's Subsidiary or from the Parent Company |
|----------------------------------|----------------|-------------|--|------------------------------------|--|----------------------------|--|--------------------------------------|--------------|---|--------------|---|--|--|
| | | | | | | | | The Company | | All Companies in the Consolidated Financial Statements listed in the consolidated financial report | | | | |
| | | 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 amount | Cash | Stock amount | The Company | All Companies in the Consolidated Financial Statements | |
| Chairman & CEO | Vincent Mao | 13,128 | 13,128 | 745 | 745 | 5,877 | 5,977 | 8,064 | - | 8,064 | 1,388 | 2.01% | 2.12% | None |
| General Manager | Wei Wang | | | | | | | | | | | | | |
| CRO | I-Hsi Cheng | | | | | | | | | | | | | |
| CRO | Chun-Sheng Lin | | | | | | | | | | | | | |
| Assistant General Manager | Meng-Huang Liu | | | | | | | | | | | | | |
| Finance/Accounting Supervisor | Xu-Fang Hsu | | | | | | | | | | | | | |

| Ranges of Remuneration paid to General Manager and Assistant General Managers of the Company | Name of General Manager and Assistant General Manager | |
|---|---|---|
| | The Company | All Companies in the Consolidated Financial Statements |
| Less than 1,000,000 | - | - |
| 1,000,000 (inclusive) ~ 2,000,000 (exclusive) | - | - |
| 2,000,000 (inclusive) ~ 3,500,000 (exclusive) | - | - |
| 3,500,000 (inclusive) ~ 5,000,000 (exclusive) | Wei Wang, Chun-Sheng Lin I-Hsi Cheng, Meng-Huang Liu | Wei Wang, Chun-Sheng Lin I-Hsi Cheng, Meng-Huang Liu |
| 5,000,000 (inclusive) ~ 10,000,000 (exclusive) | Vincent Mao | Vincent Mao |
| 10,000,000 (inclusive) ~ 15,000,000 (exclusive) | - | - |
| 15,000,000 (inclusive) ~ 30,000,000 (exclusive) | - | - |
| 30,000,000 (inclusive) ~ 50,000,000 (exclusive) | - | - |
| 50,000,000 (inclusive) ~ 100,000,000 (exclusive) | - | - |
| More than 100,000,000 | - | - |
| Total | 5 | 5 |

Note 1: The retirement pensions in this table was set aside by the expensed of the 2020 fiscal year.
 Note 2: The remuneration of employees in this table was approved by the Board of Directors in March 2021, and the proposed distribution was calculated according to the proportion of the actual amount distributed in the previous year.

4. Names of Managers and the Allocation of Employee's Remuneration:

December 31, 2020; Unit: NT\$ thousand

| Title | Name | Stock amount | Cash | Total | Total Amount as A Proportion of Net Income After Tax (%) |
|---------|--|--------------|-------|-------|---|
| Manager | Chairman & CEO | - | 8,064 | 8,064 | 0.58% |
| | General Manager | | | | |
| | CRO | | | | |
| | CRO | | | | |
| | Assistant General Manager | | | | |
| | Finance Supervisor/Accounting Supervisor | | | | |

Note: The remuneration of employees in this table was approved by the Board of Directors in March 2021, and the proposed distribution was calculated according to the proportion of the actual amount distributed in the previous year.

5. Separately compare and describe the total remuneration paid to the Directors, Supervisors, General Managers and Assistant General Managers of the Company in the last two fiscal years as a percentage of the net income after tax of the individual or of the individual financial reports by the Company and by all companies in the consolidated statements, and analyze and describe the policies, standards and combination of remuneration payment, the procedures for determining remuneration, and its linkage to operating performance and future risk exposure.

(1) Analysis of the total remuneration paid to the Directors, Supervisors, General Managers and Assistant General Managers of the Company in the last two fiscal years as a percentage of the net income after tax of the individual or of the individual financial reports

| Title | Item | Total Remuneration as A Proportion of Net Income After Tax | | | |
|---|------|--|--|-------------|--|
| | | 2019 | | 2020 | |
| | | The Company | All Companies in the Consolidated Financial Statements | The Company | All Companies in the Consolidated Financial Statements |
| Director (Including Concurrent Managers) | | 3.63% | 4.56% | 3.36% | 4.18% |
| Supervisors | | - | - | - | - |
| General Manager and Assistant General Manager | | 2.79% | 2.96% | 2.01% | 2.12% |

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

In accordance with Article 18-1 of the current Articles of Incorporation, if the Company has gained profits within a fiscal year, less than 3% of the profits shall be reserved as the Director's remuneration. Except for the remuneration of Directors and the payment of business execution costs, the Company has no other remuneration payment items. In addition to the Questionnaire of Self-Evaluation of Performance of Board Members (for Themselves or Peers), the results of board performance evaluation, attendance on board meetings and the continuing education status of Directors shall also be used as the reference for the remuneration allocation. The remuneration to Directors of the Company shall be reviewed by the Remuneration Committee and submitted to the Board of Directors for approval, and shall be reported to the shareholders' meeting for payment.

The remuneration paid to the General Manager and Assistant General Managers was based on their positions, with reference to the remuneration standard of the same trade concerned, including fixed salary, performance bonus, employee remuneration and other remuneration, in which the performance bonus and employee remuneration are linked to business performance. The Company conducts performance evaluation on the Managers twice a year, including the aspects of the positions held, management effectiveness and achievement rate of annual performance targets, etc. Meanwhile, the overall profit of the Company in the current year is taken into consideration to calculate the amount of remuneration, which shall be submitted to the Remuneration Committee for review and approved by the Board of Directors.

When paying the remuneration referred to in the preceding paragraph, the Company also evaluates the changes in the global economy, the international financial environment and the industrial climate to predict the Company's future operation development, profit situation and operation risks, so as to minimize the possibility of future risks and strike a balance between the Company's sustainable operation and risk control.

IV The State of the Company's Implementation of Corporate Governance

(I) The state of operations of the Board of Directors

A total of four meetings (A) have been held by the Board of Directors in the most fiscal year, with the Directors' attendance shown as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate in Person [B/A] | Remarks |
|----------------------|--|--------------------------|----------|---------------------------------|--|
| Chairman | Vincent Mao | 4 | 0 | 100% | None |
| Director | I-Hsi Cheng | 4 | 0 | 100% | None |
| Director | Wen-Bin Lin | 4 | 0 | 100% | None |
| Director | Silicon Power Computer & Communications Inc. Corporate representative: Hui-Ming Chen | 4 | 0 | 100% | None |
| Director | Sheng-Su Lee | 4 | 0 | 100% | None |
| Director | Yan-Chiang Fan | 4 | 0 | 100% | None |
| Independent Director | Cheng-Chieh Dai | 4 | 0 | 100% | None |
| Independent Director | Chieh-Sheng Hsiao | 0 | 3 | 0% | Passed away and was dismissed on August 14, 2020 |
| Independent Director | Yu-Nu Lin | 4 | 0 | 100% | None |

Other matters that shall be reported:

I. Where one of the following circumstances apply for the operations of the Board of Director meetings, the date, session, proposal contents, opinions of all Independent Directors, and the Company's actions in response to the opinions of the Independent Directors shall be stated:

(I) Matters specified in Article 14-3 of the Securities and Exchange Act: please refer to pages 39 to 42.

(II) Except for the aforementioned matters, any other resolutions from the Board of Directors where an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: None.

II. During the execution process where the Director avoid from interested proposal, the name of the Director, the content of proposal, the reason of avoidance and the results of the voting should be stated:

03-13-2020 Board Meeting: Vincent Mao, I-Hsi Cheng recused and did not participate in the discussion and voting of the "Distribution Plan of Operation and Project Bonus for Managers for the 2019 Fiscal Year Reviewed by the Remuneration Committee" for the prevention of conflict of interests involved.

03-13-2020 Board Meeting: Vincent Mao, I-Hsi Cheng, Wen-Bin Lin, Corporate representative of Silicon Power Computer & Communications Inc.: Hui-Min Chen, Sheng-Su Lee, Yan-Chiang Fan, Cheng-Chieh Dai, Chieh-Sheng Hsiao (represented by Cheng-Chieh Dai), Yu-Nu Lin, on the discussion and voting of the "Distribution Plan of Remuneration for Employees, Directors and Supervisors for the 2019 Fiscal Year", the interested Directors took turns to avoid, and the other Directors present expressed unanimous consent.

05-06-2020 Board Meeting: Vincent Mao, I-Hsi Cheng recused and did not participate in the discussion and voting of the "Compensation Adjustment Plan of Managers Reviewed by the Remuneration Committee" for the prevention of conflict of interests involved.

08-06-2020 Board Meeting: Vincent Mao, I-Hsi Cheng recused and did not participate in the discussion and voting of the "The First Distribution Plan of Remuneration for Managers in Cash for the 2019 Fiscal Year Reviewed by the Remuneration Committee" for the prevention of conflict of interests involved.

11-05-2020 Board Meeting: Vincent Mao, I-Hsi Cheng recused and did not participate in the discussion and voting of the "The Second Distribution Plan of Remuneration for Managers in Cash for the 2019 Fiscal Year Reviewed by the Remuneration Committee" for the prevention of conflict of interests involved.

11-05-2020 Board Meeting: Vincent Mao, I-Hsi Cheng, Wen-Bin Lin recused and did not participate in the discussion and voting of the "Acquisition of Equity in the Subsidiary (Forcelead Technology Corp.)" for the prevention of conflict of interests involved.

III. A company listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEX) shall disclose the cycles, periods, scope, method, contents and other matters of the self-evaluation by the the board members of themselves (or peers), and state the implementation status of the board members' evaluation:

| Evaluation Cycle | Evaluation Period | Evaluation Scope | Evaluation Method | Evaluation Content |
|------------------|---|---|---|--|
| Once a year | Performance evaluation the of the Board of Directors for the period from January 1 to December 31, 2020 | Performance self-evaluation of the board as a whole and individual directors, performance evaluation of functional committees | Carry out once a year by questionnaire: (1) The agenda working group of the Board of Directors shall carry out the internal self-evaluation of the Board of Directors. (2) The board members shall fill in the questionnaire of self-evaluation. (3) Members of functional committees shall fill in the questionnaire of | (1) The overall performance evaluation of the Board of Directors covers the following five aspects: participation in the operation of the Company, improvement of the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the Directors and internal control. The evaluation results were excellent. (2) The self-evaluation of the performance of the board members covers the following six aspects: alignment of the goals and missions of the Company, awareness of the duties of a |

| Evaluation Cycle | Evaluation Period | Evaluation Scope | Evaluation Method | Evaluation Content |
|------------------|-------------------|------------------|-------------------|---|
| | | | self-evaluation. | <p>director, participation in the operation of the Company, management of internal relationships and communication, professionalism and continuing education of the Directors and internal control. The evaluation results were excellent.</p> <p>(3) The performance evaluation of the functional committee covers the following five aspects: participation in the operation of the Company, awareness of the duties of the functional committee, improvement of quality of decisions made by the functional committee, makeup of the functional committee and election of its members and internal control. The evaluation results were excellent.</p> |

IV. An evaluation of objectives and implementation status in the area of strengthening the functions of the Board of Directors for current and most recent fiscal year:

| Targets for Strengthening of the Functions of the Board of Directors | The Evaluation of Implementation Status |
|--|---|
| Improve the quality of the Board of Directors | <p>Improve the function of the Board of Directors, adopt a candidate nomination system for Directors, with members of diversify and profession.</p> <p>Arrange the Directors to participate in advanced courses every year and regularly advocate policies and regulations to enhance the Board's operational and decision-making capabilities.</p> |
| Establish a sound structure of the Board of Directors | <p>The Company has set up an Audit Committee, with review by each Independent Director on all important proposals in their professional capacity. Besides, the Company has set up the Remuneration Committee to evaluate and review the Remuneration Committee system of the Company's Directors</p> |

| | |
|---|---|
| Targets for Strengthening of the Functions of the Board of Directors | The Evaluation of Implementation Status |
| | and Managers every year, and make recommendations to the Board of Directors for decision-making. |
| The compliance of Directors recuse himself to avoid conflicts of interest | Where a Director is required to refuse the proposal involving a conflict of interest, the Director refused voluntarily from the proposal. |
| Evaluate the independence of the CPA | The Company's current entrusted "Deloitte & Touche" is one of the four major domestic firms. The Board of Directors regularly evaluates the independence of the CPA on the following matters to enhance the trustworthiness of the Company's financial reports: I. An independent declaration issued by the CPA. II. Ensure that he CPA has no material financial interests or potential employment relationships with the Company and subsidiaries, which will affects his independence. III. The same CPA has not continuously performed attesting services for more than seven years. |
| The compliance of laws and policies | The Board of Directors has indeed complied with the operation of the "Rules of Procedure for Board of Directors Meetings" and adhered to the information transparency. The material resolutions of the Board of Directors were publicly announced and filed on the Market Observation Post System (MOPS) and the Company's website in accordance with the regulations, and the implementation was in a good condition. |
| Internal control | The auditing unit shall supervise the Company's internal control and risk management, and the auditing Supervisor shall attend the Board of Directors and report the implementation of the Company. |

(II) The Operation of the Audit Committee

A total of four meetings (A) have been held by the Audit Committee in the most fiscal year, with their attendance shown as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate in Person(%) [B/A] | Remarks |
|----------------------|-------------------|--------------------------|----------|------------------------------------|--|
| Independent Director | Cheng-Chieh Dai | 4 | 0 | 100% | None |
| Independent Director | Chieh-Sheng Hsiao | 0 | 3 | 0% | Passed away and was dismissed on August 14, 2020 |
| Independent Director | Yu-Nu Lin | 4 | 0 | 100% | None |

Other matters that shall be reported:

- I. Where one of the matters listed in Article 14-5 of the Securities and Exchange Act and the matters are not approved by the Audit Committee, but had the consent of more than two-thirds of all Directors, the date, session, proposal contents and resolutions of the Audit Committee, and the Company's actions in response to the opinions of the Audit Committee shall be stated:

| Date of Meeting | Major Resolutions | Resolutions Passed by More Than Two-thirds of All Directors but Without Approval of the Audit Committee |
|--|---|---|
| 2020.3.13 The 7th Board Meeting of The 1st Session | Passed the proposal on self-evaluation report and the declaration of internal control system for the year 2019. | None |
| | Passed the proposal on the 2019 Financial Statements and Business Report. | None |
| | Passed the proposal on the 2019 Earning Distribution Plan. | None |
| | Passed the proposal on the "Self-Evaluation and Peer Evaluation of Performance of the Board". | None |
| | Passed the proposal on the acquisition of the Company's right to use assets by the subsidiary (Sync-Tech System Corp.). | None |
| 2020.5.6 The 8th Board Meeting of The 1st Session | Passed the proposal on the Company's right to use assets. | None |
| 2020.8.6 The 9th Board Meeting of The 1st Session | Passed the proposal on loaning funds to the subsidiary (Sync-Tech System Corp.). | None |
| | Passed the proposal on loaning funds to the subsidiary (Infino Technology Corp.). | None |
| | Passed the proposal on the amendment to the "Self-Evaluation and Peer Evaluation of Performance of the Board". | None |
| 2020.11.5 The 10th Board Meeting of The 1st Session | Passed the proposal on the Internal Audit Plan for the year 2021. | None |
| | Passed the proposal on the evaluation of the independence of the CPA. | None |
| | Passed the proposal on the review of the CPA's professional fees. | None |
| | Passed the proposal on the Adjustment of the amount of endorsements and guarantees for subsidiaries. | None |
| | Passed the proposal on loaning funds to the subsidiary (Forcelead Technology Corp.). | None |
| | Passed the proposal on loaning funds to the subsidiary (mCore Technology Corp.). | None |
| | Passed the proposal on the acquisition of equity in the Subsidiary (Forcelead Technology Corp.). | None |

II. Implementation Status of the Independent Director's refusal of proposal involved in conflicts of interest: None.

III. Communication between Independent Directors, Supervisor of internal audit and CPA:

1. Communication between Independent Directors and Supervisor of internal audit: The audit Supervisor shall send the audit report of the previous month to the Independent Directors via E-mail every month and communicate as necessary. The

important contents of the communication and interaction between the Independent Directors and the Supervisor of internal audit within the Audit Committee shall be recorded in the Audit Committee's proceedings.

| Date | Communication Method | Communication Matters, Opinions of Independent Directors and Follow-up Measures |
|------------|---|---|
| 03/13/2020 | The 7th Audit Committee Meeting of The 1st Session | The Audit Supervisor reported the performance and results of the internal audit in the fourth quarter of 2019: the Independent Director expressed consent on the content of the report. |
| 05/06/2020 | The 8th Audit Committee Meeting of The 1st Session | The Audit Supervisor reported the performance and results of the internal audit in the first quarter of 2020: the Independent Director expressed consent on the content of the report. |
| 08/06/2020 | The 9th Audit Committee Meeting of The 1st Session | The Audit Supervisor reported the performance and results of the internal audit in the second quarter of 2020: the Independent Director expressed consent on the content of the report. |
| 11/05/2020 | The 10th Audit Committee Meeting of The 1st Session | The Audit Supervisor reported the performance and results of the internal audit in the third quarter of 2020: the Independent Director expressed consent on the content of the report. |

2. Communication between Independent Directors and CPA:
The CPA attended the Audit Committee Meeting in March 2021, reporting the audit results of the annual financial reports, audit report of key matters, and communicated with the Audit Committee about the audit situation.

(III) State of corporate governance implementation and differences from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons

| Assessed Items | Implementation Status | | | Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons |
|---|-----------------------|----|---|---|
| | Yes | No | Description | |
| I. Does the Company set and disclose corporate governance code of practice according to the "Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies"? | ✓ | | In order to establish a good corporate governance system, the Company has formulated the "Corporate Governance Best-Practice Principles" according to the "Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies", which has been approved by the Board of Directors and disclosed on the Company's website. | No material difference |
| II. Ownership structure and the rights and interests of shareholders | | | | |
| (I) Has the Company set internal operating procedures to deal with shareholder proposals, doubts, disputes and litigation matters, and does it implement these in accordance with its procedures? | ✓ | | (I) The Company has formulated the "Rules of Procedure for Shareholders' Meetings" and set up a speech system in accordance with the regulations, in which the spokesperson can properly handle issues such as the shareholders' Suggestions or disputes. The Company has set up a spokesperson contact e-mail on the Company's website to facilitate good communication between the Company and investors. | No material difference |
| (II) Does the Company have a list of those who ultimately control the major shareholders of the Company? | ✓ | | (II) The Company has controlled the list of its shareholders provided by the shareholder services agent, and has reported the information of the changes in the shareholding of Directors and major shareholders on a monthly basis in accordance with the provisions. | |
| (III) How does the Company establish its risk management mechanism and firewalls involving related enterprises? | ✓ | | (III) The Company has formulated the "Supervision Measures for Subsidiary", "Operational Procedures for Transactions of Affiliates, Specific Companies and Enterprise Groups", and transactions within the affiliated enterprises were carried out in accordance with the Measures and Procedures. | |
| (IV) Has the Company set internal standards to prohibit insiders from using the undisclosed information in the market to trade securities? | ✓ | | (IV) The Company has formulated the "Procedures for Handling Material Inside Information" to prohibit corporate insiders from using the undisclosed information in the market to trade securities, and has held a digital course of "Introduction to the Laws and Regulations on Insider Trading" for 45 executives above division level in 2020. | |

| Assessed Items | Implementation Status | | | Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons |
|---|-------------------------------------|----|---|---|
| | Yes | No | Description | |
| <p>III. Organization and responsibilities of the Board of Directors</p> <p>(I) Does the Board of Directors set and implement a diversification policy?</p> <p>(II) Has the Company established other functional committees besides the Remuneration Committee and Audit Committee?</p> <p>(III) Has the Company set performance assessment rules and methods for the Board of Directors and does it perform this evaluation every year, report the results of the performance appraisal to the Board of Directors and apply them to the remuneration of individual Directors and their nomination for reappointment?</p> <p>(IV) Does the Company regularly evaluate the independence of the CPA?</p> | <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> | | <p>(I) The board members of the Company have different professional backgrounds and working experiences. The Company's policy for the election of board members is to achieve the following objectives through director operations of diversity:</p> <ol style="list-style-type: none"> 1. When discussing the operation and management of the Company, a wide range of opinions can be generated due to the different experience of members. 2. Continuously strengthen corporate governance and operation efficiency by diversified experience. <p>Please refer to Table 1 and instructions below for individual directors' implementation of diversity of board members.</p> <p>(II) The Company has set up the Remuneration Committee and Audit Committee. In the future, the Company will evaluate and set up other functional committees in the direction of corporate governance.</p> <p>(III) The Company has formulated the "Self-Evaluation and Peer Evaluation of Performance of the Board" and the assessment method, which have been disclosed on the Company's website. The Company conducts the evaluation of the performance of the Board of Directors once a year and reports the results to the Board of Directors.</p> <p>(IV) The Audit Committee of the Company regularly evaluates the independence and adequacy of the CPA once a year, and submits to the board the conclusion of such evaluation. The independence of CPAs shall be evaluated by:</p> <ol style="list-style-type: none"> 1. An independent declaration issued by the CPA. 2. Ensure that he CPA has no material financial interests or potential employment relationships with the Company and subsidiaries, which will affects his independence. 3. The same CPA has not continuously performed attesting services for more than seven years. <p>The proposal on the evaluation of the independence of the CPA for this year was resolved by the Board of Directors on November 5, 2020.</p> | No material difference |

| Assessed Items | Implementation Status | | | Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons |
|--|-----------------------|----|--|---|
| | Yes | No | Description | |
| IV. Does the TWSE/TPEX listed company have a dedicated an eligible and appropriate number of personnel for corporate governance and appointed a Supervisor in charge of the Company' corporate governance affairs (including but not limited to providing information required for Director/Supervisor's operations, assisting Directors and Supervisors to comply with laws and regulations, convening board/shareholder meetings in compliance with the law, and producing meeting minutes of board/shareholder meetings)? | ✓ | | The finance and accounting Supervisor of the Company is concurrently the corporate governance Supervisor, who has more than 10 years' management experience in accounting, finance, stock affairs or proceedings in a public company. And the finance and accounting department is jointly responsible for corporate governance related affairs, with the main responsibilities of providing information required for Director's operations and latest legal developments relating to operating companies, to assist Directors to comply with laws and regulations, including company registration, shareholders' meeting/board of Directors/Audit Committee, amendment of corporate governance related codes, updating of corporate governance related laws and regulations, and regular arrangement of refresher course of compliance with corporate governance related laws and regulations for Directors | No material difference |
| V. Has the Company established communication channels and dedicate section for stakeholders (including but not limited to shareholders, employees, customers and suppliers) on its website, and responded appropriately to interested parties concerning important corporate social responsibility issues? | ✓ | | (I) Stakeholders can communicate with the Company through our spokesperson and acting spokesperson. The Company's website also provides session for stakeholders, with e-mail address and contact telephone number available for stakeholders. (II) The Company's website provides a technical support service mailbox, and the dedicated person is responsible for handling the application issues of the product. (III) The Company's website has also disclosed the contact information of the shareholder services agent and CPA, providing investors with contact information. | No material difference |
| VI. Has the Company appointed a professional stock affairs agency for shareholders affairs? | ✓ | | The Company has appointed the Share Agency Department of Taishin International Bank for the agent of shareholders' meeting affairs. | No material difference |

| Assessed Items | Implementation Status | | | Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons |
|---|----------------------------|----|---|---|
| | Yes | No | Description | |
| <p>VII. Information Disclosure</p> <p>(I) Does the Company set up THE website to disclose financial operations and corporate governance information?</p> <p>(II) Has the Company adopted other measures (such as English website, a designated person responsible for the collection and disclosure of information, implementation of the spokesman system, the legal entities announcements uploaded to website, etc.) to disclose information?</p> <p>(III) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year? Does it announce and declare the first, second and third quarter financial reports and operating conditions of each month as soon as possible before the prescribed period?</p> | <p>✓</p> <p>✓</p> <p>✓</p> | | <p>(I) The Company has set up a website to disclose information related to the Company, and related information on the Company's financial business and corporate governance are also available on the MOPS.</p> <p>(II) The Company website provides information in both Chinese and English. The Company has dedicated a spokesman and acting spokesman. The Company's operational information is disclosed on the Company's website and the MOPS and investor conference briefing is disclosed on the Company website. In accordance with the regulations of the competent authority, the Company has fulfilled its responsibilities and obligations for information disclosure in accordance with laws and the provisions of the competent authority.</p> <p>(III) The Company did not announce and declare its annual financial reports within two months after the end of the fiscal year. However, it has announced and declared the quarterly financial report in advance within the prescribed period, as well as the operating status of each month.</p> | <p>No material difference</p> <p>No material difference</p> |
| <p>VIII. Does the Company have any other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education of Directors and Supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's Directors and Supervisors)?</p> | <p>✓</p> | | <p>(I) Employee rights and interests, employee care: please refer to the statement of "V. Labor Management Relations of Chapter 5 Operations Overview" in this annual report.</p> <p>(II) Investor relations: the Company has designated personnel to timely announce relevant financial, business information, shareholding changes of insiders and other information at the MOPS, expecting to achieve information disclosure and transparency.</p> <p>(III) Supplier relationship: the Company has established supplier management procedures, and only those who pass the audit can become the cooperative partner of the Company. And the Company regularly evaluates the quality, delivery time, price and cooperation condition of major raw material suppliers to ensure that the suppliers can provide products of stable quality to the Company.</p> <p>(IV) Rights of stakeholders: for stakeholders, the Company's website provides a session for stakeholders as the communication channels to safeguard the rights and interests of both parties.</p> <p>(V) Advanced studies of Directors and Supervisors: the Company has disclosed the situation of the advanced studies of Directors and Supervisors on the MOPS-Summary Table of Directors and Supervisors' Attendance on the Board of</p> | <p>No material difference</p> |

| Assessed Items | Implementation Status | | | Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons |
|---|-----------------------|----|---|---|
| | Yes | No | Description | |
| | | | <p>Directors and Situation of Their Advanced Studies.</p> <p>(VI) Implementation of risk management policies and risk measurement standards: please refer to the description of "Chapter 7 Review, Analysis, and Risks of Financial Conditions and Performance"</p> <p>(VII) Implementation of customer policy: the Company always keeps close contact with customers, devotes itself to providing the best products for customers, and emphasizes on differentiation and value creation.</p> <p>(VIII) The Company buys liability insurance for Directors and major Managers every year, evaluate the insurance limit regularly every year and report to the Board of Directors on the renewal of liability insurance for Directors.</p> | No material difference |
| <p>IX. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved (not applicable where a company is not included as be evaluated): Not applicable.</p> | | | | |

Table 1: Implementation of Diversity of Board Members by Individual Directors

| Core Projects of Diversify Name of Director | Gender | Operational Judgments | Accounting and Financial Analysis | Operation Management | Crisis Management | Knowledge of the Industry | International Market Perspective | Leadership Skills | Ability to Make Policy Decisions |
|--|--------|--------------------------|--------------------------------------|-------------------------|----------------------|------------------------------|-------------------------------------|----------------------|-------------------------------------|
| Chairman Vincent Mao | Male | √ | | √ | √ | √ | √ | √ | √ |
| Director Wen-Bin Lin | Male | √ | | √ | √ | √ | √ | √ | √ |
| Director I-Hsi Cheng | Male | √ | | √ | √ | √ | √ | √ | √ |
| Director Silicon Power Computer & Communications Inc. | Male | √ | | √ | √ | √ | √ | √ | √ |
| Representative: Hui-Ming Chen | | √ | | √ | √ | √ | √ | √ | √ |
| Director Sheng-Su Lee | Male | √ | | √ | √ | √ | √ | √ | √ |
| Director Yan-Chiang Fan | Male | √ | | √ | √ | √ | √ | | √ |
| Independent Director Cheng-Chieh Dai | Male | √ | | √ | √ | √ | √ | √ | √ |
| Independent Director Yu-Nu Lin | Female | √ | √ | √ | √ | √ | √ | √ | √ |

Description of implementation:

There are 9 Directors of Sitronix this year, with 3 Independent Directors, accounting for 33% (one of them passed away due to illness in August, 2020). Among the Independent Directors, there is one female with professional qualification of accountant and is good at financial accounting, and two served by the General Manager of Technology Industry, with the ability of operation judgment, operation management and industrial knowledge. Among the non-independent directors, there are 3 Directors with employee status, accounting for 33% of the total number of Directors; One director is the Company's CRO chief with R&D expertise/leadership decision-making ability; One Director is a Corporate Director of an information and electronic company and is able to provide experience of different industries and advice. One of the remaining four board members has rich industry knowledge and financial expertise, and three have industry experience in semiconductor and electronics industry companies. Their expertise includes marketing, corporate management, rich industry knowledge and decision-making capabilities, etc.; All Directors have an international perspective and have implemented the policy of diversity of board members.

(IV) Where a remuneration committee is established, the Company shall disclose its composition, duties, and operation status

1. Information on Members of the Remuneration Committee

| Title (Note 1) | Name | Condition | Has more than five years of work experience and the following professional qualifications | | Independent status (Note 2) | | | | | | | | | | Concurrent compensation committee position in other publicly listed companies | Remarks | |
|----------------------|-------------------|-----------|---|--|---|---|---|---|---|---|---|---|---|---|---|---------|-------|
| | | | Lecturer or above in business, legal, finance, accounting or corporate business related to public or private universities | Judges, prosecutors, lawyers, CPA or other professionals and technicians who have passed the national examinations and obtained certificates necessary for the business of the Company | Work experience in business, legal, finance, accounting or corporate business | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | | | 10 |
| Independent Director | Cheng-Chieh Dai | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Independent Director | Chieh-Sheng Hsiao | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | Note3 |
| Independent Director | Yu-Nu Lin | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Others | Jui-Hsiang Lo | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 | Note4 |

Note 1: Please fill in the "Title" field with Director, Independent Director or otherwise.

Note 2: For any members who fulfill the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, tick [✓] the box next to the corresponding conditions.

- (1) Neither an employee of the Company nor its affiliates.
- (2) Neither a Director or Supervisor of the Company or any of its affiliates. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a Manager under preceding subparagraph (1) or any of the persons in the subparagraph (2 and (3).
- (5) Neither a Director, Supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act. Not applicable in cases where an

Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.

- (6) If a majority of the Company's Director seats or voting shares and those of any other company are controlled by the same person, neither a Director, Supervisor, or employee of that other company. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.
- (7) If the Chairperson, General Manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses, neither a Director (or governor), Supervisor, or employee of that other company or institution. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.
- (8) Neither a Director, Supervisor, Officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. Not applicable in cases where a specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company, and where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.
- (9) Not a professional individual who, or an owner, partner, Director, Supervisor, or Officer 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 2 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 Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Any of the matters under Article 30 of the Company Act.

Note 3: Chieh-Sheng Hsiao passed away and was dismissed on August 14, 2020.

Note 4: Jui-Hsiang Lo was newly-appointed on November 5, 2020.

2. Information on Operation Status of the Remuneration Committee

I. There are 3 members in the Company's Remuneration Committee.

II. Current Term: From June 27, 2018 to June 26, 2021. The Remuneration Committee held five meetings (A) in the recent year, the qualifications and attendance of the committee members are shown as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Rate of Actual Presence (%) (B/A) | Remarks |
|----------|-------------------|--------------------------|----------|-----------------------------------|--|
| Convener | Cheng-Chieh Dai | 5 | - | 100% | None |
| Member | Chieh-Sheng Hsiao | 3 | - | 100% | Passed away and was dismissed on August 14, 2020 |
| Member | Yu-Nu Lin | 5 | - | 100% | None |
| Member | Jui-Hsiang Lo | 1 | - | 100% | Newly-appointed on November 5, 2020 |

Other matters that shall be reported:

1. If the Board of Directors does not adopt or amend recommendations proposed by the Remuneration Committee, the date, session, proposal contents and resolutions of the Board of Directors, and the Company's actions in response to the opinions of the Audit Committee shall be stated (also, where the remuneration approved by the Board of Directors is superior to that recommended by the Remuneration Committee, the differences and reasons shall be stated):
None.

2. Where resolutions of the Remuneration Committee include dissenting or qualified opinion which is on record or stated in a written statement, the date, session, proposal contents, opinions from every member, and actions in response to the opinions of the members shall be stated:

| Item | Matters for discussion | Resolution Results | Handling of Members' Opinions by the Company |
|--|---|---|--|
| 2020.02.12 The 8th of the Fourth Session | Proposal on the Distribution of the Remuneration to Employees and Directors for the Year 2019 | Except for the members who did not participate in the discussion and vote because of conflicts of interest, the proposal was passed with consent of the rest attending members. | None |
| 2020.03.23 The 9th of the Fourth Session | Compensation Adjustment Plan of Managers of the Company. | Passed by all attending members of the Remuneration Committee. | None |
| 2020.05.26 The 10th of the Fourth Session | Discussion on the First Distribution Plan of Remuneration for Managers in Cash for the 2019 Fiscal Year of the Company. | Passed by all attending members of the Remuneration Committee. | None |
| | The Remuneration Committee organized the amendment to procedures. | Passed by all attending members of the Remuneration Committee. | None |
| 2020.10.08 The 11th of the Fourth Session | The Second Distribution Plan of Remuneration for Managers in Cash for the 2019 Fiscal Year Reviewed by the Remuneration Committee of the Company. | Passed by all attending members of the Remuneration Committee. | None |
| 2020.12.21 The 12th of the Fourth Session | Discussion on the Company's Distribution Plan of Managers Operation and Project Bonus for the Year 2020. | Passed by all attending members of the Remuneration Committee. | None |

(V) The State of The Company's Performance of Social Responsibilities, Any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance

| Assessed Items | Implementation Status | | Description | Any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance |
|---|-----------------------|----|--|---|
| | Yes | No | | |
| I. Does the Company conduct risk evaluation on environmental, social and corporate governance issues related to the Company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? | ✓ | | According to the nature of the Company's business, all relevant units shall take precautionary measures in advance for risk management to minimize the loss caused by risks, regularly carry out relevant assessment, monitoring, reporting and handling, and submit reports to the CEO's office. | No material difference |
| II. Does the Company set up exclusively (or concurrently) dedicated units to promote corporate social responsibility, and authorize high level managers to handle and report to the Board of Directors? | ✓ | | The Company's Human Resources and Administration Department, as a professional unit to promote corporate social responsibility, is responsible for the proposal and implementation of corporate social responsibility policies and regulations, and reports to the Board of Directors on the handling situation from time to time. | No material difference |
| III. Environmental matters | | | | |
| (I) Does the Company establish proper environment management systems based on the characteristics of its industries? | ✓ | | (I) TIC products, active components, passive components in the semiconductor industry are the key components of various electronic terminal products on the market, which are widely used in computers, communications, consumer electronics, industrial electronics and many other applications. The European Union Framework Program FP7 (LCA to GO Program) points out that in extreme cases, IC products account for about one-third of the carbon footprint of electronic products, which is a significant contribution to global warming. In 2020, Sitronix Group shipped about 1.9 billion ICs. From the perspective of environmental protection, customers using zero capacitance technology can promote FPC to be free from external passive components (capacitors), which can save billions of ceramic capacitor components and achieve a large carbon reduction, contributing to the environmental protection of the earth. The Company also has formulated the "Procedures for the Management of Environmental Restricted Substances", which stipulate that the raw materials and packaging materials used by suppliers shall fully comply with the EU RoHS (Directive 2011/65/EU)/REACH SVHC/ Packaging and Packaging Waste (Directive 94/62/EC)/Hogen-free Directive and the green environmental protection requirements of customers, to jointly enhance corporate social responsibility. | No material difference |
| (II) Does the Company endeavor to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment? | ✓ | | (II) The Company promotes the electronic signature verification system to reduce the printing of correspondence and official letters, issues the publicity documents by E-mail to reduce the use of large amounts of paper, and also advocates the policies of using recycled paper and energy saving and carbon reduction to minimize the impact of the Company's operations on the environment. | |
| (III) Does the Company evaluate the present and future potential risks and opportunities of climate change to the Company, and taken measures to respond to climate-related issues? | ✓ | | (III) "Energy Saving and Carbon Reduction" is one of the Company's environmental policies. Through measures such as energy-saving lamps and air-conditioned environmental control devices, the Company enables employees to deeply embed in the concept of energy saving and carbon reduction in their working environment, continuously reduce electricity consumption and achieve the reduction of carbon emissions. | |
| (IV) Does the Company calculate greenhouse gas emissions, water consumption and total waste weight over the past two years, and formulate policies for energy conservation and carbon emissions reduction, greenhouse gas emissions reduction, water consumption reduction or other waste management? | ✓ | | (IV) Since greenhouse gas emissions have seriously affected the global climate, the Company has conducted a comprehensive inventory and record analysis on the electricity sector, the largest source of greenhouse gas emissions in the operation. The emissions of carbon dioxide decreased from 1,004 tons in 2018 to 963 tons in 2019. However, as the Company's business grew, the experimental equipment expanded, thus the emissions of carbon dioxide increased slightly to 1,001 tons in 2020. For the main air conditioning equipment with the largest electricity consumption, the Company adjusts the water outlet temperature of ice water and timely operate in parallel to raise the temperature of indoor cooling room to reduce the electricity consumption of air conditioning, thus reducing the greenhouse gas emissions. In terms of utilization of water resources, the Company has installed sensor faucets, water economizers and two-stage toilets to save appropriate amount of water. Meanwhile, the Company has developed an "Environmental Control Procedures" to implement the resource recovery mechanism for general wastes and enterprise wastes respectively. | |
| IV. Social matters | | | | |
| (I) Does the Company establish proper management methods and procedures in accordance with the relevant regulations and the international conventions on human rights? | ✓ | | (I) The Company recognizes and supports internationally recognized human rights norms and principles, including the "Universal Declaration of Human Rights", "The United Nations Global Compact", and the "ILO (International Labor Organization) Declaration on Fundamental Principles and Rights at Work". To fulfill corporate social responsibility and implement human rights protection, the Company hereby formulates the human rights policies applicable to the Company, and treat and respect all colleagues with a fair and equitable attitude, prevents any violation of human rights, providing a reasonable and safe workplace and reasonable and dignified treatment for the Company's current colleagues. | No material difference |
| (II) Does the Company establish and implement reasonable employee benefits measures (including remuneration, leave and other benefits, etc.) and reflect the corporate business performance or achievements appropriately in the employee remuneration? | ✓ | | (II) The Company regularly adjusts the level of remuneration and benefits by referring to the results of salary survey in the same industry and relevant welfare measures. The Company distributes the remuneration and performance bonus according to the profit situation and the employee performance evaluation system every year. | |

| Assessed Items | Implementation Status | | Description | Any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|------------------------|---------------------------------|--|---|--------------------------------|--|---------------------------------|---|--|----------------|---|-------------------|---------------------|------------------------|----------------------------|---------------------------|--|--|--------------------|--|--|------------------------|--------------------------|---------------|--------------------------------|--------------------|--|--|----------------|--|--|-------------------------------|--|--|--|--|--|--|
| | Yes | No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (III) Does the Company provide a safe and healthful work environments for its employees and organize training on safety and health for employees on a regular basis? | ✓ | | (III) The Company has passed the ISO45001 certification in 2020. In addition to the annual health examination for employees, the Company also regularly organizes occupational safety and health related training to develop employees' emergency response ability and correct safety concepts, so as to reduce the occurrence and loss of accidents caused by unsafe behaviors. <ul style="list-style-type: none"> ● In order to maintain the safety of employees, the Company has a security system with the access to the building elevators and company doors requiring swiping for access, and the first floor of the office building has security management. ● The Company cooperates with the building management unit to perform fire drills once a year to improve the resilience of disasters, and assigns employees to participate in fire training each year. ● The Company implements employee health checks each year and subsidizes gym fees for employees. ● In addition to the legally guaranteed employee rights, the Company also provides other benefits to employees, such as group medical care, as well as provides a comfortable and safe working environment for employees. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (IV) Does the Company establish effective career development training programs for its employees? | ✓ | | (IV) The Company has formulated an "Education and Training Management Procedure" and a complete training framework, developed perfect training courses according to the professional functions and career needs of employees, and is committed to building a diversified, autonomous and high-quality learning culture to strengthen the development ability of employees. <table border="1" data-bbox="1151 814 2389 1234"> <tr> <td rowspan="5">Leadership Development Program</td> <td>Management Level</td> <td>Advanced Leadership Development</td> <td>Advanced Management Capacity</td> <td>Advanced Professional Career Development</td> <td>Chief Engineer</td> <td rowspan="5">Professional Competency Development Program</td> </tr> <tr> <td>Senior Management</td> <td>Advanced Leadership</td> <td>Personal Effectiveness</td> <td>Advanced Skill Development</td> <td>Senior Engineer (Manager)</td> </tr> <tr> <td></td> <td></td> <td>Quality Management</td> <td></td> <td></td> </tr> <tr> <td>Department Supervisors</td> <td>Basic Managerial Ability</td> <td>Patent Course</td> <td>Professional Engineering Skill</td> <td>Engineer (Manager)</td> </tr> <tr> <td></td> <td></td> <td>General Course</td> <td></td> <td></td> </tr> <tr> <td colspan="7">New Staff Development Program</td> </tr> </table> | | Leadership Development Program | Management Level | Advanced Leadership Development | Advanced Management Capacity | Advanced Professional Career Development | Chief Engineer | Professional Competency Development Program | Senior Management | Advanced Leadership | Personal Effectiveness | Advanced Skill Development | Senior Engineer (Manager) | | | Quality Management | | | Department Supervisors | Basic Managerial Ability | Patent Course | Professional Engineering Skill | Engineer (Manager) | | | General Course | | | New Staff Development Program | | | | | | |
| Leadership Development Program | Management Level | Advanced Leadership Development | Advanced Management Capacity | | | Advanced Professional Career Development | Chief Engineer | Professional Competency Development Program | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Senior Management | Advanced Leadership | Personal Effectiveness | | | Advanced Skill Development | Senior Engineer (Manager) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | Quality Management | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Department Supervisors | Basic Managerial Ability | Patent Course | Professional Engineering Skill | | Engineer (Manager) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | General Course | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| New Staff Development Program | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (V) Is the Company in compliance with relevant laws and regulations as well as international standards when it comes to customer health and safety, customer privacy, marketing and labeling of products and services, and make relevant policies and appeal procedures on the protection of consumer rights and interests? | ✓ | | (V) The Company is in compliance with relevant laws and regulations as well as international standards when it comes to marketing and labeling of products and services to ensure the quality of its products and services and protect the rights and interests of customers. The Company attaches great importance to the quality of its products and the rights and interests of its customers, and has established the "Customer Service and Complaint Handling Procedures" and the "Customer Satisfaction Operation Procedures" to strive to provide quality customer service. | No material difference | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (VI) Does the Company has established a supplier management policy that requires suppliers to comply with the relevant standards on issues such as environmental protection, occupational safety and health, or labor and human rights? And the implementation status. | ✓ | | (VI) The Company introduces the ISO 9001 quality management system, and conducts quarterly evaluation and annual audit on all suppliers in accordance with the "Supplier Management Procedures" of the Company. The Company stipulates that suppliers must pass the ISO 45001 evaluation, or comply with relevant laws and regulations such as occupational health, safety and hygiene, labor laws and regulations, and the labor human rights standards such as not employing child labor. The results of the quarterly supplier evaluation in 2020 are 100% passed. In addition to all suppliers having obtained the ISO9001 and ISO14001 certification, 55.56% of the suppliers have also passed the ISO45001 certification. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| V. Does the Company adopt internationally widely recognized standards or guidelines when producing corporate social responsibility report and other reports that disclose non-financial information of the Company? Whether assurance or guarantee opinions have been obtained for the aforementioned reports by a third party certification unit? | | ✓ | The Company has not yet prepared the corporate social responsibility report, and will prepare in the future based on the actual needs. | No material difference | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| VI. .If the Company makes its own corporate social responsibilities principles according to the "Rules of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies", please state the differences: The Company has enacted the corporate social responsibilities principles, which is consistent with the spirit and principles of the "Rules of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies". | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Assessed Items | Implementation Status | | Description | Any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance |
|--|-----------------------|----|-------------|---|
| | Yes | No | | |
| <p>VII. Other important information that helps understand the operation situation in terms of the corporate social responsibilities:</p> <p>(I) Implementing corporate governance: The Company has established a designated section for stakeholders on the Company website, understands the reasonable expectations and demands of stakeholders through proper communication with them, and adequately responds to the important corporate social responsibility issues which they are concerned about.</p> <p>(II) Developing a sustainable environment: The employee portal website promotes the Sitronix Green+, driving energy saving and carbon reduction and other environmental protection operations.</p> <p>(III) Protecting social public welfare:</p> <ol style="list-style-type: none"> 1. Organize regularly Christmas gift donation activities for children in nurseries every year. In 2020, the Company has funded a total of 3 nurseries to fulfill the Christmas wishes of 65 children. 2. Donate computers to Green Miracle and ASUS Foundation from time to time. <p>Since its establishment, Sitronix Technology Corp. has been promoting corporate governance and actively fulfilling its corporate social responsibility in the course of the business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on corporate social responsibility. Sitronix Technology Corp. gives due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also gives due consideration to the environment, society and corporate governance in its corporate management guidelines and business operations. Sitronix Technology Corp. is committed to maintaining the flow of communication channels and the transparency of business information to enhance the corporate image, win customer recognition and establish a harmonious working partnership.</p> | | | | |

(VI) The state of the Company's performance in the area of ethical corporate management, any variance from the ethical corporate management best practice principles for TWSE/TPEX listed companies, and the reason for any such variance

| Assessed Items | Implementation Status | | Description | Any Variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance |
|---|-----------------------|----|--|--|
| | Yes | No | | |
| <p>I. Adopting ethical corporate management policy and programs</p> <p>(I) Has the Company formulated its ethical management policy approved by the Board of Directors, clarified it in its regulations and external documents and the commitment of board of Directors and senior Managers to active implementation?</p> <p>(II) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include preventive measures against the behaviors as stipulated in item 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?</p> <p>(III) Has the Company in the prevention programs for unethical conduct clearly prescribed the operation procedures, conduct guidelines and disciplinary and appeal system for violations of the ethical corporate management rules and implemented them, and conducted review and amendment on the aforementioned programs on a regular basis?</p> | ✓ | | <p>(I) The Company has formulated the "Ethical Corporate Management Best Practice Principles", which shall be submitted to the shareholders' meeting after being adopted by the Board of Directors and shall be disclosed on the Company's website, stating that Directors, Managers, employees, appointees or persons with material control shall abide by the principle of good faith, the commitment that they shall not engage in unethical conduct and shall actively implement the policy of good faith, and shall follow in their internal management and external business activities.</p> <p>(II) In order to prevent any unethical conduct, the Company requires all suppliers not to engage in any illegal business conduct and not to provide improper benefits and bribes to the Company's employees, and regularly conduct audits and evaluations on the suppliers. In case of a manufacturer engaging in unethical conduct of high risk, the Company may terminate or rescind the contract with it at any time, and if the case is serious, the Company will notify the judicial unit. The Company's "Ethical Corporate Management Best Practice Principles" explicitly states that it shall strengthen the prevention of business activities within its business scope which are at a higher risk of being involved in unethical conduct, and strengthen the relevant preventive measures against the behaviors as stipulated in Paragraph 2, Article 7 of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p> <p>(III) The Company's "Ethical Corporate Management Best Practice Principles" stipulates the prohibitions against unethical conduct, reporting system and disciplinary system, which shall be implemented in the operation of each unit, and the relevant contents shall be regularly educated, publicized and reviewed and revised.</p> | No material difference |
| <p>II. Implementation of ethical corporate management</p> <p>(I) Does the Company evaluate the ethical record of its business partners and set ethical conduct policies in the terms and conditions of its contracts with the clients?</p> <p>(II) Has the Company set up exclusively dedicated units supervised by the Board of Directors to be in charge of ethical corporate management which report its ethical management policy, prevention programs for unethical conduct, and the supervision and implementation state to the Board of Directors?</p> <p>(III) Does the Company work out policies to prevent conflicts of interest, provide proper statement channels and implement?</p> <p>(IV) Has the Company established an effective accounting system, internal control system to put ethical corporate management into practice. The internal auditors shall draw up the relevant audit plan to audit the compliance of the prevention programs for unethical conduct according to the risk valuation results of the unethical conduct, or audited by CPAs?</p> <p>(V) Does the Company organize internal or external trainings on the ethical corporate management regularly?</p> | ✓ | | <p>(I) Company shall avoid engaging in business transactions with agents, suppliers, customers or other business associates involved in unethical conduct. If the business associates or cooperation partners have engaged in unethical conduct, the Company shall immediately stop the business dealings with them and list them as the objects of refusal to engage in business dealings to implement the ethical management policy of the Company.</p> <p>(II) The Company designates the Human Resources and Administration Department as the dedicated unit to be in charge of formulating and supervising the implementation of the ethical corporate management policies and prevention programs, and reporting the implementation status to the Board of Directors on a regular basis. The latest reporting date was November 5, 2020.</p> <p>(III) To prevent conflicts of interest, the Company has formulated the "Ethical Corporate Management Best Practice Principles", and implements as required by the Principles. In case of any unlawful act, the whistle-blower can report to the dedicated unit through the independent whistle-blowing mailbox.</p> <p>(IV) The Company has set up an effective accounting system and internal control system in accordance with the relevant laws and regulations. Internal auditors have performed audits in accordance with the audit plan, reported to the Board of Directors on a quarterly basis, and submitted the reports to the Independent Directors for signing before the end of the following month of the Audit Report.</p> <p>(V) In addition to the "Ethical Corporate Management Best Practice Principles" and "Procedures for Handling Material Inside Information" as required courses for new employees, the Company also carries out the training publicity of "Prohibition of Insider Trading" for senior managers every year. In addition, Directors and Managers participate in corporate governance training courses every year as required. The number of trainees in 2020 is as follows: Ethical Corporate Management Best Practice Principles: 13 persons Procedures for Handling Material Inside Information: 13 persons Prohibition of Insider Trading: 45 persons</p> | No material difference |
| <p>III. Operation of the Company's Whistle-blowing System</p> <p>(I) Has the Company set specific whistle-blowing and reward system to facilitate the whistle-blowing channel and assign appropriate specialist accepting to spot the whistle-blowing object?</p> | ✓ | | <p>(I) The Company has set up the "Regulations for the Whistle-blowing of Fraudulent Conduct", and provides an independent whistle-blowing mailbox (report@sitronix.com.tw) for external and internal whistle-blower of the Company. This whistle-blowing channel is publicly disclosed on the website of the Company, and a dedicate unit is designated to handle reporting cases according to the prescribed procedures.</p> | No material difference |

| Assessed Items | Implementation Status | | | Any Variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance |
|---|-----------------------|----|--|--|
| | Yes | No | Description | |
| (II) Has the Company set the standard operating procedures, follow-up measures shall be adopted depending on the severity of the circumstances after investigations of cases reported are completed and relevant confidentiality mechanism to investigate reported misconducts? | ✓ | | (II) The Company clearly stipulates in the "Regulations for the Whistle-blowing of Fraudulent Conduct" the standard operating procedures, and that it will keep the whistle-blowers' identity and contents of information confidential. | |
| (III) Has the Company taken measures to protect whistle-blowers from inappropriate disciplinary actions due to their whistleblowing? | ✓ | | (III) The Company clearly stipulates in the "Regulations for the Whistle-blowing of Fraudulent Conduct" that it will keep the whistle-blowers' identity and contents of information confidential. The Company also undertakes to protect the whistle-blowers from improper treatment due to their whistle-blowing. | |
| IV. Strengthening information disclosure (I) Does the Company disclose the information of implementation and results of ethical management on its website and the MOPS? | ✓ | | The Company has established its ethical corporate management best practice principles and disclosed it on its website. | No material difference |
| V. If the Company develops its own ethical management rules according to the Integrity Operation Best Practice Principles for TWSE/GTSM-Listed Companies, please state the differences: No difference. | | | | |
| VI. Other important information for better understanding of the ethical management : (such as review and amendment of the regulations on ethical management) The Company's business philosophy attributes ethic as an important part, and lets the Board of Directors announce to the team of Managers, as well as inculcates this concept to the customers, employees, suppliers and shareholders. For customers and suppliers, the Company has negotiated with them the delivery and quality of each product in a fair and reasonable manner. For shareholders, the Company provides the information of the Company in a timely manner according to the regulations of the competent authorities. As for the employees, the Company has also communicated the importance of ethic and the Company's related regulations through performance appraisal and training, to inculcate in them an ethical and trustworthy behavior. | | | | |

- (VII) If the Company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched
The sector "Investors" on the Company's website provides a "Corporate Governance" section for investors to inquire and download the relevant rules and regulations of corporate governance.
- (VIII) Other significant information that will provide a better understanding of the state of the Company's implementation of corporate governance may also be disclosed
1. The Company continues to strengthen the operation of corporate governance. The website of the Company provides investors with relevant rules and regulations on corporate governance and important resolutions of the Board of Directors for their reference.
 2. In order to continuously enrich the corporate governance information, the Company has taken the initiative to inform the Company's Directors of the relevant education information, and all the eight Directors have met the requirements of the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies".
 3. The information on the Company's website (www.sitronix.com.tw) is collected and maintained by designated personnel, and is regularly disclosed and updated to provide investors with access to financial and business information.

(IX) Implementation of the internal control system

1. Statement of Internal Control System

Sitronix Technology Corp.
Statement of Internal Control System

Date: March 18, 2021

Based on the findings of a self-assessment, the following statement is made with regard to the Company's internal control systems during the 2020 fiscal year:

- I. Sitronix has established an adequate internal control system. Sitronix's Board of Directors and Managers are responsible for establishing, implementing, and maintaining the internal control systems. Our internal control system is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable laws, regulations and bylaws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the preceding three objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to the changing environment or circumstances that are beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and we will take immediate remedial actions in response to any identified deficiencies.
- III. Sitronix evaluates the design and operating effectiveness of its internal control systems based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter below, the "Regulations"). The criteria adopted by the Regulations identify five constituent elements of internal control systems based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. For the preceding five constituent elements, please refer to the provisions for the aforesaid "Regulations".
- IV. Sitronix has evaluated the design and operating effectiveness of its internal control system according to the aforesaid "Regulations".
- V. Based on the findings of such evaluation, Sitronix believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (including the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable laws, regulations and bylaws.
- VI. This Statement is the essential content of Sitronix's annual report and prospectus, and will be made public. Any misrepresentation and omission, or other illegality in the content publicly disclosed will entail a legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement was passed by the Board of Directors in their meeting held on March 18, 2021, with none of the eight attending directors expressing dissenting opinions, and the rest all agreed the content of this Statement.

Sitronix Technology Corp.

Chairman: Vincent Mao

General Manager: Wei Wang Wang

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: None.

(X) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: None.

(XI) Material resolutions of a shareholders meeting or a board of Directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

1. Major resolutions of the Board of Shareholders and state of implementation

| Major Resolutions of the 2020 Regular Shareholders' Meeting | Implementation State |
|---|---|
| 1. 2019 Earning Distribution Plan. | By the resolution of the shareholders' meeting, the cash dividend of NT\$6.5 per share was distributed to the shareholders, with the total amount of NT\$780,889,694. The date of cash dividend payment: August 20, 2020. |
| 2. 2019 Business Reports and Financial Statements. | After being recognized by the shareholders' meeting, it has been announced to the public information observatory as required. |
| 3. Formulate the Company's "Rules of Procedure for Shareholders' Meetings". | Upon approval by the regular shareholders' meeting, the new amended provisions shall apply. |

2. Major Resolutions of the Board of Directors

| Date of Meeting | Major Resolutions | Matters specified in Article 14-3 of the Securities and Exchange Act |
|--|---|--|
| 2020/3/13 The 8th of the Ninth Session | 1. Passed the Distribution Plan of Operation and Project Bonus for Managers for the 2019 Fiscal Year Reviewed by the Remuneration Committee of the Company. | ✓ |
| | 2. Passed the Distribution Plan of the Remuneration to Employees, Directors and Supervisors for the Year 2019. | ✓ |
| | 3. Passed the Statement of Internal Control System for the Year 2019. | ✓ |
| | 4. Passed the proposal on the 2019 Financial Statements and Business Report. | |
| | 5. Passed the proposal on the 2019 Earning Distribution Plan. | ✓ |
| | 6. Passed the Company's 2020 Operating Plan. | |
| | 7. Passed the convening of the Company's regular shareholders' meeting in the year 2020 and related matters. | |
| | 8. Passed the proposal on the acquisition of the Company's right to use assets by the subsidiary (Sync-Tech System Corp.). | ✓ |
| | 9. Passed the proposal on the setting of a corporate governance Supervisor of the Company. | |
| All Independent Directors' opinions: None. The Company's actions in response to the opinions all Independent Directors' opinions: None. Resolution outcome: approved by all the Directors present. | | |

| Date of Meeting | Major Resolutions | Matters specified in Article 14-3 of the Securities and Exchange Act |
|--|--|--|
| 2020/5/6 The 9th of the Ninth Session | 1. Passed the Compensation Adjustment Plan of Managers Reviewed by the Remuneration Committee of the Company. | ✓ |
| | 2. Passed the supplementary for convening the 2020 regular shareholders' meeting and related matters. | |
| | 3. Passed the proposal on the Company's right to use assets. | ✓ |
| | All Independent Directors' opinions: None. The Company's actions in response to the opinions all Independent Directors' opinions: None. | |
| | Resolution outcome: approved by all the Directors present. | |
| 2020/8/6 The 10th of the Ninth Session | 1. Passed the First Distribution Plan of Remuneration for Managers in Cash for the 2019 Fiscal Year Reviewed by the Remuneration Committee of the Company. | ✓ |
| | 2. Passed the proposal on loaning funds to the subsidiary (Sync-Tech System Corp.). | ✓ |
| | 3. Passed the proposal on loaning funds to the subsidiary (Infinno Technology Corp.). | ✓ |
| | All Independent Directors' opinions: None. The Company's actions in response to the opinions all Independent Directors' opinions: None. Resolution outcome: approved by all the Directors present. | |
| 2020/11/5 The 11th of the Ninth Session | 1. Passed the proposal on the Adjustment of the amount of endorsements and guarantees for subsidiaries. | ✓ |
| | 2. Passed the proposal on the appointment of members of the Remuneration Committee. | |
| | 3. Passed the Second Distribution Plan of Remuneration for Managers in Cash for the 2019 Fiscal Year Reviewed by the Remuneration Committee of the Company. | ✓ |
| | 4. Passed the Internal Audit Plan for the year 2021. | ✓ |
| | 5. Passed the proposal on the evaluation of the independence of the CPA. | ✓ |
| | 6. Passed the proposal on the review of the CPA's professional fees. | ✓ |
| | 7. Passed the proposal on loaning funds to the subsidiary (Forcelead Technology Corp.). | ✓ |
| | 8. Passed the proposal on loaning funds to the subsidiary (mCore Technology Corp.). | ✓ |
| | 9. Passed the proposal on the acquisition of equity in the Subsidiary (Forcelead Technology Corp.). | |
| | All Independent Directors' opinions: None. The Company's actions in response to the opinions all Independent Directors' opinions: None. Resolution outcome: approved by all the Directors present. | |
| | 1. Passed the Distribution Plan of Operation and Project Bonus | ✓ |

| Date of Meeting | Major Resolutions | Matters specified in Article 14-3 of the Securities and Exchange Act |
|--|--|--|
| 2021/3/18 The 12th of the Ninth Session | for Managers for the 2020 Fiscal Year Reviewed by the Remuneration Committee of the Company. | |
| | 2. Passed the Distribution Plan of the Remuneration to Employees and Directors for the Year 2020. | ✓ |
| | 3. Passed the Statement of Internal Control System for the Year 2020. | ✓ |
| | 4. Passed the proposal on the 2020 Financial Statements and Business Report. | |
| | 5. Passed the proposal on the 2020 Earning Distribution Plan. | |
| | 6. Passed the proposal on the formulation of the Company's "Accounting System". | ✓ |
| | 7. Passed the proposal on the Company's "Operational Procedures for Loaning Funds to Others". | ✓ |
| | 8. Passed the Company's 2021 Operating Plan proposed. | |
| | 9. Passed the proposal on the election of the 10th Board of Directors of the Company. | |
| | 10. Passed the proposal on the candidate nomination of Directors and Independent Director. | |
| | 11. Passed the proposal on the removal of competition restrictions for new Directors and their representatives. | |
| | 12. Passed the convening of the Company's regular shareholders' meeting in the year 2021 and related matters. | |
| | 13. Passed the proposal on the division of the Company's Vehicle Business Division to Forcelead Technology Corp. | ✓ |
| | | All Independent Directors' opinions: None. The Company's actions in response to the opinions all Independent Directors' opinions: None. Resolution outcome: approved by all the Directors present. |
| 2021/5/6 The 13th of the Ninth Session | 1. Passed the Compensation Adjustment Plan of Managers Reviewed by the Remuneration Committee of the Company. | ✓ |
| | 2. Passed the proposal on the amendment to the Company's "Handling Procedure to Engage in the Transaction of Derivative Products". | ✓ |
| | 3. Passed the proposal on the amendment to partial provisions of the Company's "Asset Management Procedures". | ✓ |
| | 4. Passed the proposal on the amendment to partial provisions of "Sale and Receipt Cycle" of the Company's internal control system. | ✓ |
| | 5. Passed the proposal on the subsidiary's formulation of the "Operational Procedures for Loaning Funds to Others" and "Operational Procedures for Endorsements/Guarantees". | ✓ |
| | 6. Passed the supplementary for convening the 2021 regular shareholders' meeting and related matters. | |
| | 7. Passed the proposal on the increasing the amount of endorsement guarantee for the subsidiary (Forcelead Technology Corp.). | ✓ |

| Date of Meeting | Major Resolutions | Matters specified in Article 14-3 of the Securities and Exchange Act |
|-----------------|--|--|
| | All Independent Directors' opinions: None. The Company's actions in response to the opinions all Independent Directors' opinions: None. Resolution outcome: approved by all the Directors present. | |

- (XII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a Director or Supervisor has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors, and said dissenting opinion has been recorded or prepared as a written declaration, the main content: None.
- (XIII) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's Chairman, General Manager, Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D: None.

V Information on CPA Professional Fees

| Accounting Firm | Name of CPA | | Audit Period | Remarks |
|-------------------|----------------|---------------|-------------------------|---------|
| Deloitte & Touche | Cheng-Chih Lin | Yu-Feng Huang | 2020.01.01 ~ 2020.12.31 | - |

Unit: NT\$ thousand

| Range of the Amount | | Audit Fee Items | Audit Fee | Non-audit Fee | Total |
|---------------------|--|-----------------|-----------|---------------|-------|
| 1 | Less than NT\$ 2,000,000 | | | V | |
| 2 | NT\$ 2,000,000 (inclusive) ~ NT\$ 4,000,000 | | V | | |
| 3 | NT\$ 4,000,000 (inclusive) ~ NT\$ 6,000,000 | | | | V |
| 4 | NT\$ 6,000,000 (inclusive) ~ NT\$ 8,000,000 | | | | |
| 5 | NT\$ 8,000,000 (inclusive) ~ NT\$ 10,000,000 | | | | |
| 6 | NT\$ 10,000,000 above (inclusive) | | | | |

- (I) When non-audit fees paid to the CPA, the accounting firm, and its affiliates accounted for more than one-fourth of total audit fee, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed:

Unit: NT\$ thousand

| Accounting Firm | Name of CPA | Audit Fee | Non-audit Fee | | | | | Audit Period | Remarks |
|-------------------|----------------|-----------|---------------|-------------------------|-----------------|---------|----------|-------------------------|---|
| | | | System Design | Commercial Registration | Human Resources | Others | Subtotal | | |
| Deloitte & Touche | Cheng-Chih Lin | \$3,800 | | | | \$1,330 | \$1,330 | 2020.01.01 ~ 2020.12.31 | Non-Audit Fees including Transfer Pricing Report and Tax Consultation |
| | Yu-Feng Huang | | | | | | | | |

- (II) When the Company changes its accounting firm and the audit fee paid for the year is less than previous year, the reduction in the amount, percentage, and reasons shall be disclosed: None.

(III) When the audit fee paid for the current year is less than previous year by 15 percent or more, the reduction in the amount, percentage, and reasons shall be disclosed: None.

VI Information on Replacement of CPA

The Company did not replace its CPA during the most recent two fiscal years.

VII The State of the Company's Chairperson, General Manager, or any Manager in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of Its Certified Public Accountant or at an Affiliated Enterprise of Such Accounting Firm

The Company's Chairperson, General Manager, or any Manager in charge of finance or accounting matters did not held a position at the accounting firm or its affiliates in the most recent year.

VIII The Status of any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Manager, or Shareholder With a Stake of More Than 10 Percent during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report

- (I) The Status of any Transfer of Equity Interests And/or Pledge of or Change in Equity Interests by a Director, Supervisor, Manager, or Shareholder With a Stake of More Than 10 Percent

Unit: Share

| Title | Name | 2020 | | The Current Fiscal Year up to April 25, 2021 | |
|---|--|-----------------------------------|-------------------------------------|--|-------------------------------------|
| | | Increase/Decrease of Shareholding | Increase/Decrease of Pledged Shares | Increase/Decrease of Shareholding | Increase/Decrease of Pledged Shares |
| Chairman & CEO | Vincent Mao | 278,000 | — | 800,000 | — |
| Director | Wen-Bin Lin | — | — | — | — |
| Director & CRO | I-Hsi Cheng | — | — | — | — |
| Director | Silicon Power Computer & Communications Inc. | 150,000 | — | — | — |
| | Representative: Hui-Ming Chen | — | — | — | — |
| Director | Sheng-Su Lee | — | — | — | — |
| Director | Yan-Chiang Fan | 32,576 | — | — | — |
| Independent Director | Cheng-Chieh Dai | — | — | — | — |
| Independent Director | Chieh-Sheng Hsiao(Note) | (44,330) | — | NA | NA |
| Independent Director | Yu-Nu Lin | — | — | — | — |
| General Manager | Wei Wang | (17,000) | — | (3,000) | — |
| CRO | Chun-Sheng Lin | (15,000) | — | — | — |
| Assistant General Manager | Meng-Huang Liu | — | — | — | — |
| Supervisor of Finance/Accounting Division | Xu-Fang Hsu | — | — | — | — |

Note: Chieh-Sheng Hsiao, an Independent Director, passed away and was dismissed on August 14, 2020.

(II) Information on Equity Transfer (Where the counterparty is a related party)

No transfer of or change in equity interests incurred to the counterparty that is a related party by a Director, Supervisor, Manager, or Shareholder with a stake of more than 10 percent of the Company.

| Name | Information on Equity Transfer | Transaction Date | Counterparty | Counterparty that is a related party by a Director, Supervisor, Manager, or Shareholder with a stake of more than 10 percent of the company . | Number of Shares | Trading price |
|-------------------|--------------------------------|------------------|--------------|---|------------------|---------------|
| Chieh-Sheng Hsiao | Inherit | 1/14/2021 | Yu-Chu Hsiao | - | 1,000 | 143.5 |

Note: The above information does not include the transfer of allotments to the trust account.

(III) Information on Pledge of or Change in Equity (Where the counterparty is a related party)

No pledge or change in equity interests incurred to the counterparty that is a related party by a Director, Supervisor, Manager, or Shareholder with a stake of more than 10 percent of the Company.

IX Information about the Domestic Relation Among the Shareholders Whose Shareholding Ratio is Within the Top Ten, Whether They are Related Persons or Their Spouses or Second Cousins

April 25, 2021
Unit: Share; %

| NAME | SHAREHOLDING | | SHAREHOLDING BY SPOUSE AND MINOR CHILDREN | | TOTAL SHAREHOLDING THROUGH NOMINEES | | TOP 10 SHAREHOLDERS WHERE THEY ARE RELATED PARTIES OR RELATIVES WITHIN THE SECOND DEGREE OF KINSHIP | | REMARKS |
|---|------------------|--------------------|---|--------------------|-------------------------------------|--------------------|---|--------------|---------|
| | Number of Shares | Shareholding ratio | Number of Shares | Shareholding ratio | Number of Shares | Shareholding ratio | Title (or Name) | Relationship | |
| New labor pension fund | 5,541,959 | 4.61% | — | — | — | — | — | — | — |
| Fubon Life Insurance Co., Ltd. | 5,100,000 | 4.25% | — | — | — | — | — | — | — |
| HUA NAN BANK in custody for Allianz Global Investors Taiwan Technology Fund | 3,505,000 | 2.92% | — | — | — | — | — | — | — |
| Gu Ming Investment Corp. | 3,358,339 | 2.80% | — | — | — | — | — | — | — |
| Silicon Power Computer & Communications Inc. | 3,150,000 | 2.62% | — | — | — | — | — | — | — |
| Quant Foreign Value Small Cap Fund | 2,328,100 | 1.94% | — | — | — | — | — | — | — |
| Labor Pension Fund Supervisory Committee-Labor Retirement Fund | 2,200,961 | 1.83% | — | — | — | — | — | — | — |
| Wen Bin Lin | 2,200,000 | 1.83% | 1,100,000 | 0.92% | — | — | — | — | — |
| Ying Wen Mao | 1,771,699 | 1.47% | 71,243 | 0.06% | — | — | — | — | — |
| Allianz Global Investors Taiwan Intelligence Trends Fund | 1,626,000 | 1.35% | — | — | — | — | — | — | — |

X The Number of Shares Held by the Company, Directors, Supervisors, Managers, and Entities Directly or Indirectly Controlled by the Company in the Same Investee Enterprise, and the Calculation of the Consolidated Shareholding Ratio of the above Categories

December 31, 2020

Unit: Share; %

| Investee company (Note) | Ownership by the Company | | Investment by Directors, Supervisors, Managers, Direct or Indirect Control Groups | | Total Ownership | |
|---|--|-----------------------|--|-----------------------|--|-----------------------|
| | Number of Shares | Shareholding Ratio | Number of Shares | Shareholding Ratio | Number of Shares | Shareholding Ratio |
| Sitronix Technology (Belize) Corp. | 2,000,000 | 100% | — | — | 2,000,000 | 100% |
| Sitronix Technology (Mauritius) Corp. | 2,000,000 | 100% | — | — | 2,000,000 | 100% |
| Sitronix Holding International Ltd. | 2,000,000 | 100% | — | — | 2,000,000 | 100% |
| Sitronix Technology (Shenzhen) Co., Ltd. | Capital contribution: USD 400,000 | 100% | — | — | Capital contribution: USD 400,000 | 100% |
| HeFei ezGreen Co., Ltd. | Capital contribution: RMB 5,000,000 | 100% | — | — | Capital contribution: RMB 5,000,000 | 100% |
| HeFei Sitronix Co., Ltd. | Capital contribution: RMB 22,500,000 | 90% | — | — | Capital contribution: RMB 22,500,000 | 90% |
| mCore Technology Corp. | 9,583,010 | 91% | — | — | 9,583,010 | 91% |
| Infinno Technology Corp. | 13,289,616 | 64% | 293,698 | 1% | 13,583,314 | 65% |
| Sensortek Technology Corp. | 22,529,596 | 46% | 2,226,279 | 5% | 24,755,875 | 51% |
| Forcelead Technology Corp. | 39,336,545 | 100% | — | — | 39,336,545 | 100% |
| Sitronix Investment Corp. | 33,249,060 | 100% | — | — | 33,249,060 | 100% |
| Sync-Tech System Corp. | 9,843,952 | 49% | 1,409,539 | 7% | 11,253,491 | 56% |
| ezGreen Inc. | 6,000,000 | 100% | — | — | 6,000,000 | 100% |

Note: Long-term equity investment of the Company calculated according to the equity.

Chapter 4 Capital and Shares

I Capital and Shares

(I) Source of Capital Stock

April 25, 2021

| Year/Month | Issue Price | Authorized Capital | | Paid-in Capital | | Remarks | | |
|------------|-------------|----------------------------------|------------------------|----------------------------------|------------------------|---|--|---------------------------------|
| | | Number of Shares (NT\$ thousand) | Amount (NT\$ thousand) | Number of Shares (NT\$ thousand) | Amount (NT\$ thousand) | Sources of Capital Stock (NT\$ thousand) | Capital Increase by Assets Other than Cash | Others |
| 1998/08 | 10 | 4,500 | 45,000 | 4,500 | 45,000 | Capital increase 25,000 by cash | None | Jian Yi No. 87329500 |
| 1998/12 | 10 | 7,000 | 70,000 | 7,000 | 70,000 | Capital increase 25,000 by cash | None | Jian Yi No. 88256462 |
| 1999/12 | 10 | 16,000 | 160,000 | 16,000 | 160,000 | Capital increase 90,000 by cash | None | Jing (089) Shang No. 089101284 |
| 1999/12 | 10 | 18,000 | 180,000 | 18,000 | 180,000 | Capital increase 20,000 by cash | None | Jing (089) Shang No. 089101157 |
| 2000/08 | 10 | 21,500 | 215,000 | 21,500 | 215,000 | Capital increase 35,000 by cash | None | Jing (089) Shang No. 130952 |
| 2002/11 | 10 | 30,000 | 300,000 | 25,000 | 250,000 | Capital increase 35,000 by cash | None | Jing-Shou-Shang No. 09101479070 |
| 2003/06 | 10 | 66,800 | 668,000 | 33,432 | 334,325 | Capital increase 84,325 transferred from earnings, capital reserve and employee bonus | None | Jing-Shou-Jhong No. 0923228806 |
| 2004/07 | 10 | 66,800 | 668,000 | 46,668 | 466,680 | Capital increase 132,355 transferred from earnings, capital reserve and employee bonus | None | Jing-Shou-Jhong No. 09332442630 |
| 2005/01 | 10 | 66,800 | 668,000 | 47,303 | 473,035 | Employee stock option certificates converted to common stocks 6,355 | None | Jing-Shou-Jhong No. 09431572610 |
| 2005/04 | 10 | 66,800 | 668,000 | 47,488 | 474,880 | Employee stock option certificates converted to common stocks 1,845 | None | Jing-Shou-Jhong No. 09431949940 |
| 2005/07 | 10 | 100,000 | 1,000,000 | 63,704 | 637,044 | Capital increase 162,164 transferred from earnings, capital reserve and employee bonus | None | Jing-Shou-Shang No. 09401122960 |
| 2005/07 | 10 | 100,000 | 1,000,000 | 66,785 | 667,855 | Employee stock option certificates converted to common stocks 1,255 Domestic convertible bonds converted to common stocks 29,556 | None | Jing-Shou-Shang No. 09401145870 |
| 2005/10 | 10 | 100,000 | 1,000,000 | 68,513 | 685,135 | Employee stock option certificates converted to common stocks 8,175 Domestic convertible bonds converted to common stocks 9,105 | None | Jing-Shou-Shang No. 09401213050 |
| 2006/01 | 10 | 100,000 | 1,000,000 | 69,520 | 695,206 | Employee stock option certificates converted to common stocks 1,545 Domestic convertible bonds converted to common stocks 8,526 | None | Jing-Shou-Shang No. 09501006430 |

| Year/Month | Issue Price | Authorized Capital | | Paid-in Capital | | Remarks | | |
|------------|-------------|----------------------------------|------------------------|----------------------------------|------------------------|---|--|--|
| | | Number of Shares (NT\$ thousand) | Amount (NT\$ thousand) | Number of Shares (NT\$ thousand) | Amount (NT\$ thousand) | Sources of Capital Stock (NT\$ thousand) | Capital Increase by Assets Other than Cash | Others |
| 2006/04 | 10 | 100,000 | 1,000,000 | 71,008 | 710,078 | Employee stock option certificates converted to common stocks 4,680 Domestic convertible bonds converted to common stocks 10,193 | None | Jing-Shou-Shang No. 09501069740 |
| 2006/07 | 10 | 100,000 | 1,000,000 | 71,232 | 712,318 | Employee stock option certificates converted to common stocks 353 Domestic convertible bonds converted to common stocks 1,887 | None | Jing-Shou-Shang No. 09501144330 |
| 2006/09 | 10 | 150,000 | 1,500,000 | 88,260 | 882,595 | Capital increase 170,277 transferred from earnings, capital reserve and employee bonus | None | Jing-Shou-Shang No. 09501200340 |
| 2006/11 | 10 | 150,000 | 1,500,000 | 89,388 | 893,882 | Employee stock option certificates converted to common stocks 7,638 Domestic convertible bonds converted to common stocks 3,649 | None | Jing-Shou-Shang No. 09501254780 |
| 2007/01 | 10 | 150,000 | 1,500,000 | 90,451 | 904,508 | Employee stock option certificates converted to common stocks 3,977 Domestic convertible bonds converted to common stocks 6,649 | None | Jing-Shou-Shang No. 09601010850 |
| 2007/05 | 10 | 150,000 | 1,500,000 | 90,773 | 907,728 | Employee stock option certificates converted to common stocks 3,220 | None | Jing-Shou-Shang No. 09601106890 |
| 2007/09 | 10 | 150,000 | 1,500,000 | 103,764 | 1,037,639 | Capital increase 128,523 transferred from earnings, capital reserve and employee bonus Employee stock option certificates converted to common stocks 1,388 | None | Jing-Shou-Shang No. 09601224560 |
| 2007/12 | 10 | 150,000 | 1,500,000 | 107,635 | 1,076,351 | Capital increase 35,000 by private placement Employee stock option certificates converted to common stocks 3,712 | None | Jing-Shou-Shang No. 09601295620 Jing-Shou-Shang No. 09601307070 |
| 2008/04 | 10 | 150,000 | 1,500,000 | 107,641 | 1,076,414 | Employee stock option certificates converted to common stocks 63 | None | Jing-Shou-Shang No. 09701090630 |
| 2008/08 | 10 | 150,000 | 1,500,000 | 103,028 | 1,030,284 | Employee stock option certificates converted to common stocks 3,870 Cancel treasury shares 50,000 | None | Jing-Shou-Shang No. 09701192540 Jing-Shou-Shang No. 09701205760 |
| 2008/09 | 10 | 150,000 | 1,500,000 | 111,100 | 1,110,998 | Capital increase 80,714 transferred from earnings, capital reserve and employee bonus | None | Jing-Shou-Shang No. 09701245290 |

| Year/Month | Issue Price | Authorized Capital | | Paid-in Capital | | Remarks | | |
|------------|-------------|----------------------------------|------------------------|----------------------------------|------------------------|--|--|---------------------------------|
| | | Number of Shares (NT\$ thousand) | Amount (NT\$ thousand) | Number of Shares (NT\$ thousand) | Amount (NT\$ thousand) | Sources of Capital Stock (NT\$ thousand) | Capital Increase by Assets Other than Cash | Others |
| 2008/11 | 10 | 150,000 | 1,500,000 | 111,244 | 1,112,438 | Employee stock option certificates converted to common stocks 1,440 | None | Jing-Shou-Shang No. 09701300130 |
| 2009/04 | 10 | 150,000 | 1,500,000 | 111,336 | 1,113,365 | Employee stock option certificates converted to common stocks 927 | None | Jing-Shou-Shang No. 09801071590 |
| 2009/07 | 10 | 150,000 | 1,500,000 | 111,341 | 1,113,415 | Employee stock option certificates converted to common stocks 50 | None | Jing-Shou-Shang No. 09801132660 |
| 2009/09 | 10 | 150,000 | 1,500,000 | 115,258 | 1,152,581 | Capital increase 39,028 transferred from earnings, capital reserve and employee bonus Employee stock option certificates converted to common stocks 138 | None | Jing-Shou-Shang No. 09801211170 |
| 2009/12 | 10 | 150,000 | 1,500,000 | 115,316 | 1,153,161 | Employee stock option certificates converted to common stocks 580 | None | Jing-Shou-Shang No. 09801275030 |
| 2010/04 | 10 | 150,000 | 1,500,000 | 115,487 | 1,154,871 | Employee stock option certificates converted to common stocks 1,710 | None | Jing-Shou-Shang No. 09901079490 |
| 2010/06 | 10 | 150,000 | 1,500,000 | 115,524 | 1,155,241 | Employee stock option certificates converted to common stocks 370 | None | Jing-Shou-Shang No. 09901132430 |
| 2010/09 | 10 | 150,000 | 1,500,000 | 117,835 | 1,178,346 | Capital increase 23,105 transferred from earnings and capital reserve | None | Jing-Shou-Shang No. 09901200640 |
| 2010/12 | 10 | 150,000 | 1,500,000 | 117,889 | 1,178,886 | Employee stock option certificates converted to common stocks 540 | None | Jing-Shou-Shang No. 09901268170 |
| 2011/4 | 10 | 150,000 | 1,500,000 | 118,062 | 1,180,616 | Employee stock option certificates converted to common stocks 1,730 | None | Jing-Shou-Shang No. 10001067760 |
| 2011/5 | 10 | 150,000 | 1,500,000 | 118,148 | 1,181,476 | Employee stock option certificates converted to common stocks 860 | None | Jing-Shou-Shang No. 10001105470 |
| 2013/10 | 10 | 150,000 | 1,500,000 | 119,148 | 1,191,476 | New restricted employee shares 10,000 | None | Jing-Shou-Shang No. 10201211420 |
| 2014/08 | 10 | 150,000 | 1,500,000 | 119,118 | 1,191,176 | Cancel new restricted employee shares 300 | None | Jing-Shou-Shang No. 10301179340 |
| 2014/12 | 10 | 150,000 | 1,500,000 | 119,138 | 1,191,376 | Employee stock option certificates converted to common stocks 200 | None | Jing-Shou-Shang No. 10301248020 |
| 2016/08 | 10 | 150,000 | 1,500,000 | 120,638 | 1,206,376 | New restricted employee shares 15,000 | None | Jing-Shou-Shang No. 10501208560 |
| 2017/11 | 10 | 150,000 | 1,500,000 | 120,518 | 1,205,176 | Cancel new restricted employee shares 1,200 | None | Jing-Shou-Shang No. 10601149850 |
| 2018/04 | 10 | 150,000 | 1,500,000 | 120,503 | 1,205,026 | Cancel new restricted employee shares 150 | None | Jing-Shou-Shang No. 10701037000 |
| 2018/11 | 10 | 150,000 | 1,500,000 | 120,227 | 1,202,273 | Cancel new restricted employee shares 2,753 | None | Jing-Shou-Shang No. 10701148560 |
| 2019/04 | 10 | 150,000 | 1,500,000 | 120,223 | 1,202,226 | Cancel new restricted employee shares 47.5 | None | Jing-Shou-Shang No. 10801040290 |
| 2019/11 | 10 | 150,000 | 1,500,000 | 120,137 | 1,201,369 | Cancel new restricted employee shares 857 | None | Jing-Shou-Shang No. 10801174420 |

Unit: Share
April 25, 2021

| Type of Shares | Authorized Capital | | | Remarks |
|-------------------------|--------------------|------------------|-------------|------------------------------------|
| | Outstanding Shares | | | |
| | Outstanding Shares | Un-issued Shares | Total | |
| Registered common stock | 120,136,876 | 29,863,124 | 150,000,000 | Outstanding Shares is listed stock |

(II) Composition of Shareholder

April 25, 2021

| Shareholder Structure Quantity | Government Agencies | Financial Institutions | Other Legal Persons | Individuals | Foreign Institutions and Foreigners | Total |
|-----------------------------------|---------------------|------------------------|---------------------|-------------|-------------------------------------|-------------|
| Number (people) | 5 | 72 | 170 | 17,150 | 230 | 17,627 |
| Number of Shares Held (share) | 9,111,000 | 22,057,968 | 9,176,857 | 39,564,934 | 40,226,117 | 120,136,876 |
| Shareholding Ratio | 7.59% | 18.36% | 7.64% | 32.93% | 33.48% | 100.00% |

(III) Distribution of Share Ownership (par value of NT\$10 each share)

April 25, 2021

| Shareholding Range | Number of Shareholders (people) | Number of Shares Held (share) | Shareholding ratio |
|----------------------|---------------------------------|-------------------------------|--------------------|
| 1 to 999 | 10,371 | 464,030 | 0.39% |
| 1,000 to 5,000 | 6,106 | 10,251,259 | 8.53% |
| 5,001 to 10,000 | 462 | 3,533,398 | 2.94% |
| 10,001 to 15,000 | 159 | 2,012,323 | 1.67% |
| 15,001 to 20,000 | 98 | 1,791,222 | 1.49% |
| 20,001 to 30,000 | 96 | 2,385,448 | 1.99% |
| 30,001 to 40,000 | 49 | 1,736,546 | 1.44% |
| 40,001 to 50,000 | 32 | 1,523,406 | 1.27% |
| 50,001 to 100,000 | 90 | 6,662,535 | 5.55% |
| 100,001 to 200,000 | 65 | 9,617,982 | 8.01% |
| 200,001 to 400,000 | 45 | 12,864,437 | 10.71% |
| 400,001 to 600,000 | 16 | 8,025,410 | 6.68% |
| 600,001 to 800,000 | 9 | 6,105,774 | 5.08% |
| 800,001 to 1,000,000 | 4 | 3,685,000 | 3.07% |
| 1,000,001 above | 25 | 49,478,106 | 41.18% |
| Total | 17,627 | 120,136,876 | 100.00% |

(IV) List of Major Shareholders

Name, number of shares held, and shareholding ratio of shareholders who hold more than 5% of the shares or the top 10 shareholders

April 25, 2021

| Name of Major Shareholders | Share | Number of Shares Held | Shareholding Ratio |
|---|-------|-----------------------|--------------------|
| New labor pension fund | | 5,541,959 | 4.61% |
| Fubon Life Insurance Co., Ltd. | | 5,100,000 | 4.25% |
| HUA NAN BANK in custody for Allianz Global Investors Taiwan Technology Fund | | 3,505,000 | 2.92% |
| Gu Ming Investment Corp. | | 3,358,339 | 2.80% |
| Silicon Power Computer & Communications Inc. | | 3,150,000 | 2.62% |
| Quant Foreign Value Small Cap Fund | | 2,328,100 | 1.94% |
| Labor Pension Fund Supervisory Committee-Labor Retirement Fund | | 2,200,961 | 1.83% |
| Wen Bin Lin | | 2,200,000 | 1.83% |
| Ying Wen Mao | | 1,771,699 | 1.47% |
| Allianz Global Investors Taiwan Intelligence Trends Fund | | 1,626,000 | 1.35% |

(V) Market Prices, Net Worth Per Share, Earnings Per Share, Dividends Per Share and Related Information in the Most Recent 2 Fiscal Years

Unit: NT\$ thousand; thousand share

| Item | Year | | 2019 | 2020 | The Current Fiscal Year up to March 31, 2021 |
|----------------------------|---|--|---------|---------|--|
| | | | | | |
| Market Price Per Share | Highest | | 197 | 171.5 | 250 |
| | Lowest | | 95.3 | 98 | 156.5 |
| | Average | | 145.27 | 144.11 | 199.14 |
| Net Worth Per Share | Before Distribution | | 45.5 | 55.28 | 62.02 |
| | After Distribution | | 39 | 47.78 | 54.52 |
| Earnings Per Share | Weighted Average Number of Shares (thousand shares) | | 119,796 | 120,131 | 120,073 |
| | Earnings Per Share | | 10.27 | 11.53 | 6.55 |
| Dividends Per Share | Cash Dividend | | 6.5 | 7.5 | — |
| | Stock Dividends | Stock Dividends from Retained Earnings | — | — | — |
| | | Stock Dividends from Capital Reserve | — | — | — |
| | Accumulated Undistributed Dividends | | — | — | — |
| Investment Return Analysis | Price-to-Earnings Ratio (Note 1) | | 14.15 | 12.50 | — |
| | Price-to-Dividends Ratio (Note 2) | | 22.35 | 19.21 | — |
| | Yield on cash dividend (%) (Note 3) | | 4.47 | 5.20 | — |

Note 1: Price/Earnings ratio = Average closing price per share for the current fiscal year/earnings per share.

Note 2: Price/dividend ratio = Average closing price per share for the current fiscal year/cash dividend per share.

Note 3: Cash dividend yield = Cash dividend per share/Average closing price per share for the current fiscal year.

(VI) Company's Dividend Policy and Implementation thereof

1. The Company's Dividend Policy

The overall working capital needs and financial planning of the Company are taken into account in the Company's dividend distribution. In the absence of other special circumstances, the dividend shall be distributed at 50% or more of the net profit after tax of the current year.

Dividend policy stipulated in the Company's Articles of Incorporation:

Article 19: Any profit of the Company after annual closing of the books shall be distributed in the following order:

- (I) Pay all taxes and dues.
- (II) Make up for accumulated losses.
- (III) Appropriate 10% of the remaining net profits as legal surplus reserve. Where such legal reserve amounts to the total paid-in capital of the Company, this provision shall not apply.
- (IV) Appropriate or reverse special surplus reserve as prescribed by law.
- (V) If there is still remaining balance, the Board of Directors shall draw up an earnings distribution proposal on the balance and the accumulated undistributed earnings of previous years, and submit to the Board of Shareholders to resolve the dividends distribution to the shareholders.

Article 19-1: Dividends to shareholders of the Company shall be distributed in the form of cash or shares, provided that the proportion of cash dividends distributed shall not be less than 10% of the total dividends. The policy of dividend distribution shall be based on the Company's current and future investment environment, capital needs, domestic and foreign competition, capital budget and other factors, taking into account the interests of shareholders, balance of dividends and long-term financial planning of the Company. The Board of Directors shall prepare a distribution plan and report to the shareholders' meeting on a yearly basis according to laws.

Article 19-2: The Company may authorize the distributable dividends and bonuses in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of Directors; and in addition thereto a report of such distribution shall be submitted to the latest shareholders' meeting.

Article 19-3: Where the company incurs no loss, it may, authorize the legal surplus reserve (a part that exceeds 25 percent of the paid-in capital) and capital surplus reserve (pursuance to the Company Act), in whole or in part, to be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

2. The proposed dividend distribution of Shareholders' Meeting this year:

- (1) In accordance with the provisions of the Company's Articles of Incorporation, the Board of Directors is authorized to resolve specifically to distribute all or part of the dividends payable and bonus in cash, which was reported at the shareholders' meeting.
- (2) Allocate the shareholders dividends of NT\$901,026,570 for the distribution of cash dividends of NT\$7.5 per share. The calculation method of "unconditional leaving out the number less than NT\$1" was adopted for the distribution of cash dividends, and the total number of decimal fraction less than NT\$1 shall be adjusted on the decimal number from big to small and the account number from front to back to accord with the total cash dividend distribution.

3. Any expected material changes in the dividend policy: None.

- (VII) Effects upon the Company's business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent Shareholders' Meeting
Since the Company did not disclose financial forecasts in 2021 fiscal year, there is no relevant information to calculate the impact of the stock grants on the Company's business performance, and earnings per share.
- (VIII) Remuneration to the Employee, Directors and Supervisors
1. The percentages or ranges with respect to the remuneration of the employee, Directors and Supervisors, as set forth in the Company's the Articles of Incorporation
As prescribed by the Articles of Incorporation, if the Company has gained profits within a fiscal year, 1% to 25% of the profits shall be reserved as the employees' compensation, and less than 3% as the Director's remuneration. However, if the Company has accumulated losses, it shall reserve the compensation amount in advance and then allocate employee remuneration and Director remuneration in accordance with the aforesaid proportion.
Employee compensation shall be resolved by the Board of Directors to be distributed in the form of shares or in cash. Qualification requirements of employees shall include the employees of parents or subsidiaries of the Company meeting certain specific requirements.
Prior to the establishment of the Audit Committee of the Company, the remuneration of Supervisors shall be allocated in accordance with the ratio prescribed in the first paragraph.
 2. The basis for estimating the amount of employee, director, and supervisor remuneration, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.
The basis for estimating the amount of employee, director, and supervisor remuneration of this year is calculated according to the Articles of Incorporation of the Company. Any discrepancy between the actual distributed amount and the estimated figure has been handled in accordance with the relevant laws and regulations.
 3. Information on the remuneration distribution approved by the Board of Directors:
The Board of Directors of the Company adopted the following resolutions on March 18, 2021:
 - (1) The amount of any employee remuneration distributed in cash or stocks and remunerations for Directors and Supervisors
The employee remuneration distributed in cash is of NT\$124,371,960, and NT\$37,311,588 for the directors, which has no discrepancy with the estimated figure for the current fiscal year.
 - (2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration: Not applicable.
 4. The actual distribution remuneration of employees, Directors, and Supervisors for the previous fiscal year (including the distributed number, amount and shares price), and where is any discrepancy between the actual distribution and the recognized remunerations for employees, Directors and Supervisors, the discrepancy, cause, and how it is treated shall be stated:

| Item | 2019 Fiscal Year (distributed in 2020) | | |
|---------------------------|---|---------------------|-------------|
| | Amount Recognized in Financial Statements | Actual Distribution | Differences |
| Employee remuneration | NT\$110,022,521 | NT\$110,022,521 | None |
| Remuneration to Directors | NT\$33,006,758 | NT\$33,006,758 | None |

(IX) Share Repurchases
None.

- II The Annual Report Shall Provide Information on the Company's Issuance of Corporate Bonds, Including Unretired Bonds and Unissued Bonds for which an Issue is currently Under Preparation, and in Accordance with Article 248 of the Company Act the Report Shall Disclose all the Matters Set Forth Thereunder and Explain Their Effect upon shareholders' Equity
None.
- III The Section on Preferred Shares Shall Include Both Outstanding and Unissued Shares for Which an Issue is Currently under Preparation, and Shall Disclose Any Conditions Attaching to Issuance and Their Effect upon Shareholders' Equity. The Information on Preferred Shares Shall Also Specify the Matters Listed under Article 157 of the Company Act
None.
- IV The Section on Global Depository Receipts Shall Include Information on Receipts Issues that Remain Partially Outstanding, and on Unissued Receipts for Which an Issue is Currently under Preparation. Also to be Disclosed are the Date of Issue, Total Value of Issue, the Rights and Responsibilities of the Holders of Global Depository Receipts and Related Matters
None.
- V The Section on Employee Stock Option Certificates
None.
- VI The Section on New Restricted Employee Shares
None.
- VII The Section on New Share Issuance in Connection with Mergers and Acquisitions
None.
- VIII The State of Implementation of The Company's Capital Allocation Plans
None.

Chapter 5 Operations Overview

I Business Activities

(I) Business scope

1. Major contents of business

The main business items as stated in the Certificate of Incorporation and Business Registration Certificate are as follows:

- (1) Design, manufacture, test, and sale of various integrated circuits.
- (2) Design, manufacture, test, and sale of various integrated modules.
- (3) Research, development, and sales of various integrated circuit applications.
- (4) Trading and agency business of various integrated circuits.

2. Major lines of business and percentage of each line

Unit: NT\$ thousand

| Major Product | 2020 | |
|------------------------------------|--------------|----------------|
| | Sales Volume | Percentage (%) |
| Integrated Circuit Design Products | 13,376,966 | 96.90% |
| Others | 427,596 | 3.10% |
| Total | 13,804,562 | 100.00% |

Note: "Others" refer to other products purchased on behalf of the customers.

3. New products (services) planned for development

- (1) High-end smartphone display driver chips.
- (2) Medium-size color automotive display driver chips.
- (3) Integrated display drivers and capacitive TDDIs.
- (4) Small-size AMOLED display driver chips.
- (5) High-end distance and ambient light sensors.

(II) Industrial overview

1. The current status and development of the industry

Sitronix Technology provides a wide range of applications, from display driver ICs (DDIs) for feature phones, smartphones, automotive and industrial control to non-DDI products such as MCU, power management ICs, sensors, etc., covering a variety of industries, applications, markets, and customer groups. We can classify these products into three categories: mobile phone DDI, industrial control and onboard DDI, and SoC (System on a Chip). Among them, the industrial control category covers hundreds of applications, which is difficult to analyze one by one. As for the SoC, sensors are the biggest category, thus we will focus on the three product categories of sensors, mobile phone DDI, and automotive DDI, and emphasize the recent developments that are more likely to be associated with the Company business.

I. Sensors and Internet of Things (IoT)

Sitronix's sensors, designed by its subsidiary, Sensortek, have made significant breakthroughs in recent years. From the perspective of the overall market, with the development of IoT and Industry 4.0, the application of various sensors is increasingly diversified, which can be roughly classified from the three levels of individuals, families, and society.

- (a) Personal consumer products: mobile phones, wearable devices, automobiles, etc.

Manufacturers are trying to differentiate themselves in an increasingly competitive market by diversifying the capabilities of mobile phones and wearable devices, including biometrics, gesture control, emotion and health management applications, which have been applied to a variety of sensors.

The biometric technology has advanced in analyzing users' physical characteristics, including iris and fingerprint recognition. Sensors can also be used to track the user's finger movements, such as tapping or sliding, to control true wireless Bluetooth headphones (TWS), smart home devices, automobiles, etc.

According to the Topology Research Institute (TRI), the TWS Bluetooth headset market continues to grow rapidly and is expected to grow by 24% annually to 252 million units in 2021, and the number of smart watches and smart bracelets is expected to exceed 95 million and 85 million units respectively in 2021.

In terms of physical and mental management, sensors can be used in mobile phones, wearable devices, or medical and health devices to detect body indexes such as heartbeat, facial expression and skin temperature, and record the psychological and physiological state of the user. Among them, the measurement of blood oxygen changes has become a popular configuration of wearable products.

In addition, as for the larger consumer product, sensors are also widely used in the automotive devices. Manufacturers have been developing automatic driving system, which makes a lot of use of sensors in various safety devices to detect the external environment, driving conditions, driver monitoring systems (DMS) and so on, combined with the gesture control and other operation functions, which not only provides convenience, but also enhances driving safety. According to the Topology Research Institute (TRI), regulation and standards are the key to observing the development of automated vehicles, and both Europe and China will have such regulations and standards coming into force in 2021. The development details of the automotive industry will be addressed in the third section.

(b) Family sharing device: smart home application

In addition to the personal consumer products mentioned in the previous section, sensors are also widely applied in smart home applications. Internationally-renowned manufacturers and many startups have launched all kinds of products one after another, flourishing throughout the market. Smart air conditioners, refrigerators, door locks, lighting devices, sockets, security monitors, stew pots, toothbrushes, shutters, and other applications are springing up in succession. A variety of sensors can be used to detect indoor temperature, humidity, air quality, human movement, item movement, breakage of doors and windows, water leakage and icing, users' return to home (which leads to an automotive release of the smart lock) and many other purposes.

One of the most high-profile products of the smart home is the latest superstar, smart speakers. Although Amazon announced its launch of smart speakers in 2014, its main rivals such as Google Home and Apple's HomePod did not make the effort to seize the market until recently. Smart speakers can be called the hub of smart families, enabling consumers to easily control the air conditioning, lighting, door locks, even the cars (users can ask smart speakers about the use status of their own cars, such as the parking locations and the amount of remaining oil of different vehicles) and other products. The popularity of smart speakers is a boon for other makers of smart devices since they complement each other. Many manufacturers have already integrated their products with Amazon and Google, so consumers have plenty of options when buying smart home products.

- (c) Large-scale application of smart factories and smart cities
The important aspects of smart factories and smart cities include collecting information by using various devices such as equipment with sensors and integrating the information with big data and cloud technology for active detection, prevention in advance, and post-incident quick judgment and treatment, which are widely applied in business, energy, transportation, safety, and other fields to make life more safety, eco-friendly, and efficient. In the public domain, energy-related applications have been one of the most common smart city constructions. Many cities in the world have invested in the construction of smart power grid, smart water meter, smart gas meter and so on. According to power manufacturers, the global market volume for smart electric meters is estimated as high as about 600 million sets.

II. Market Growth and Technological Breakthroughs of Mobile Phones

According to the Topology Research Institute (TRI), 1.246 billion units of the global smartphone were shipped in 2020, 11% down year-over-year. Due to the short base period and the expected slowdown of COVID-19 epidemic, 1.358 billion or more units of mobile phones are expected to ship in 2021, 9% up year-over-year.

As the high-end mobile phone market is becoming increasingly saturated and the competition is heating up, the mobile phone manufacturers mainly respond with the following strategies: (a) Seizing markets other than high-end ones: launching more middle and low-end mobile phones of cost-effective and actively exploring emerging markets (outside China). (b) Promoting subtle product differentiation in established high-end markets. (c) Developing a complete ecosystem, such as home appliances, VR devices, wearable devices and other products, paired with the use of mobile phones to increase brand stickiness.

- (a) Middle and low-end mobile phones of cost-effective and emerging markets
According to the Topology Research Institute (TRI), since the COVID-19 outbreak led to a global recession, and the provisioning of base station needed for 5G phones were not yet complete, the medium phones are expected to be the mainstream in 2020 and 2021.

Brands are more aggressive to grab other emerging markets as the Chinese market becomes increasingly saturated. For example, data from Counterpoint, a market research institute, shows that, in the third quarter of 2018, the smartphone market in India, which is considered as a key battleground for mobile phones, surpassed the United States to become the world's second-largest smartphone market, second only to China, where low-cost mobile phones still dominate. MIUI is still dominating the Indian market, while other brands such as Samsung and Vivo are catching up.

- (b) High-end product differentiation

A full screen is what most mainstream mobile phones already have. For the panel manufacturers and driver IC manufacturers that supply such kind of phones, the trend of increased panel size and irregular cutting involved represents an increase in pricing.

Besides the full screen, other features such as cameras under screen, 5G, foldable screens are the direction that smartphone manufacturers will focus on. The global 5G smartphone penetration rate jumped from 1% in 2019 to 19% in 2020, and is expected to continue climbing to 38% in 2021, according to the Topology Research Institute (TRI).

In addition, various manufacturers have also demonstrated various products

that can be matched with mobile phones, such as home appliances, aerial cameras' remote controls, etc. It also reflects the efforts made by mobile phone companies in recent years to expand the brand' s ecological chain to increase consumer stickiness.

- (c) Collaboration across the industry and development of a complete ecosystem to increase brand stickiness

Despite mobile phone manufacturers' consistent efforts on making innovative mobile phones, in order to adapt to the mature stage of mobile hardware, brands have invested in the development of the ecosystem successively and made investment or multi-industry alliances, in an attempt to expand the momentum and reach into every area of life of consumers, such as mobile payment, virtual reality devices and other applications.

III. Automotive Market

The auto market is expected to grow by 7% year-on-year to 79.6 million units in 2021, according to the estimates from Topology Research Institute (TRI).

For Sitronix, vehicle-mounted products are more profitable than DDIs for consumer products such as mobile phones. Partly owing to the high standard test specifications of vehicle-mounted products, which have to be able to endure various traveling conditions such as a wide temperature range and high vibration. Also, the products' life cycles are longer and they need to be durable over multiple times of use. As a result, the vehicle market is relatively closed and there is difficulty in obtaining the certification, but once it is certified, basically it can have a long-term stable order.

While the market volume is increasing, the automobile industry is also developing towards the demands of convenience, safety, and environmental protection in terms of technology and widely uses sensors, automotive DDIs and other products.

- (a) Convenience: the important role that mobile phones play in the Internet of Vehicles

Each major automaker has introduced more convenient services, such as allowing drivers to use basic mobile phone functions like dialing, SMS, and map navigation on the auto screen, as well as third-party apps, making the driving experience increasingly personalized.

Furthermore, some automakers have set up their own smart systems to provide more intimate services to consumers, including allowing the address on the mobile phone to be directly transmitted to the vehicle to avoid the trouble of entering the destination, sending directions to the mobile phone after parking, and locking or unlocking the car remotely with the mobile phone at any time, etc. Other than using the mobile phone, multiple functions can be operated by other devices such as smart watches, giving the driver greater freedom of operation.

- (b) Safety: driving assistance, tire pressure detection, HUD and other equipment

The convenience of various new features mentioned above is appealing, but driving safety on the road is still the most important part of the automotive industry and one of the ultimate goals of vehicle intelligence. The concept of smart vehicles covers such items as a relatively basic auxiliary system and more advanced fully autonomous driving, in which the development planning of Advanced Driver Assistance System (ADAS) has reached a certain degree. The applications of sensors in this system include lane departure detection, blind zone warning, parking assistance, driving fatigue detection, etc.

What's more, HUD is also an application closely related to driving safety. It can display vehicle information in the driver's front field of vision, such as driving path, speed, etc., thus reducing the driver's sight movement and ensuring driving safety. HUD is to project a light source from the inside of the dashboard to the front windshield and present information in a reflective way. Originally, this technology is mainly used in military applications such as fighter jets. However, some cars are also equipped with HUD devices, and there is still great room for HUD development.

(c) Environmental protection: the growth of electric vehicles

In the case of increasingly strict standards of vehicle carbon emissions, hybrid or pure electric vehicles can effectively solve the problem of vehicle carbon emissions. The market for electric cars is in its early stages of growth, and governments around the world are offering subsidies to help make them more affordable by offsetting relatively high prices. In addition to the vehicles themselves, electric vehicles can also drive the business opportunities for the construction of charging piles or charging stations, and the screens on the charging piles are expected to grow simultaneously.

IV. Overview of the Major Industries in which Sitronix is Involved

From the perspective of the three product categories of sensors, mobile phones, and vehicle-mounted products, the recent development of the industry mostly emphasizes on the key points such as everything is connected, cross-domain cooperation, the expansion of medium and low-end markets, and the technical improvement of high-end markets, so as to lead a safer, more convenient, environmentally friendly and efficient life. Besides, a huge demand for sensors and DDIs and other technological products has been spawned in the process of this development. One of the current challenges is the integration of standards within the domain and cross-domain and the compatibility of information content across different systems and brands. If all kinds of information can flow seamlessly in the same domain and cross-domain in the whole ecosystem, the society can truly benefit from the intelligence of all things. As an IC design company with several display technologies, diversified products of a wide range of industrial customers, and the pursuit of steady R&D strength, we are optimistic about this trend.

2. The relevance among the upstream, midstream and downstream of the industry

The general relevance among the upstream, midstream and downstream of the domestic semiconductor industry is shown in the following table, which can be roughly divided into the upstream of chip design, the midstream of mask and wafer manufacturing, and the downstream of wafer testing and packaging. Sitronix is an IC design company in the upstream.

| <u>Upstream</u> | <u>Midstream</u> | <u>Downstream</u> | <u>Application Users</u> |
|-----------------------------|--|--------------------------|---|
| IC Design (Design House) | Mask and Wafer Manufacturing (Foundry) | Packaging and Testing | Brand Manufacturers Communication manufacturers Computer developers |

3. Product development trend

a. Zero capacitor technology

The zero capacitor technology used by Sitronix is ahead of the market, and the Company's R&D team is continuing to push this product feature and competitive advantage into the medium to high-resolution display driver chip, enabling Sitronix to maintain the lead of the industry in terms of specifications and raising the technological threshold to ensure product advantages.

b. Medium-size vehicle panel driver ICs

In recent years, Sitronix has been strengthening the development of medium-size vehicle panel driver IC, which has been continuously adopted by major customers and is expected to gradually increase its share in the automotive display driver IC market.

c. Sensors

The sensors produced by Sensortek, a subsidiary of Sitronix, have been constantly upgraded, which has successfully entered the high-end market and has won many customer support and recognition.

4. Industrial competition

| Product | Industrial Peers | Product Technology Difference and Market Positioning Analysis |
|-----------------------|---|---|
| LCD Driver IC (Mono) | Ultrachip Epson | <p>A. Product Technology Difference: Sitronix holds a number of patents strengthening the Company's competitive advantage in many aspects.</p> <p>B. Market Position Analysis: In terms of shipments of black and white display driver IC, Sitronix is the market leader, which also means Sitronix is one of the few manufacturers that can provide one-stop services on a large scale. The Company can supply ICs of black and white and color, with resolution from low to high to customers according to the demand of different product positioning in each industry.</p> |
| LCD Driver IC (Color) | Novatek Himax Ilitek Focaltech Gcoreinc New Vision | <p>A. Product Technology Difference: Innovative patented circuit design to provide the best quality to customers.</p> <p>B. Market Position Analysis: Sitronix is the current market leader in display drive IC for feature phones. And in the smartphone display driver IC market, we still have a lot of room for growth. Sitronix will continue to improve its competitive advantage through product differentiation.</p> |
| Touch Control IC | Synaptics Goodix Focaltech | <p>A. Product Technology Difference: The anti-noise technology of Sitronix can effectively resist interference sources, such as charger, LCM, etc.</p> <p>B. Market Position Analysis: Sitronix is a new entrant in the touch control market and has a lot of room for growth.</p> |
| Sensors | AMS Bosch | <p>A. Product Technology Difference: In addition to producing the standard version of the proximity sensors, Sensortek, a subsidiary of Sitronix Group, has also successively launched multiple versions such as small aperture, under-screen and different sensitivity to meet the different needs of various customers.</p> <p>B. Market Position Analysis: Sensortek's proximity sensors and ambient light sensors continuously adopted by each big customer, and the acceleration sensor (accelerometers) is a new entrant in the smartphone application market, has great room for growth.</p> |

(III) Overview of technology and research and development

1. Research and development expenses that have been invested

Unit: NT\$ thousand

| Year | 2020 | 2019 |
|---|-----------|-----------|
| R&D Expenses | 1,677,211 | 1,587,676 |
| As a Percentage of Operating Revenue in Current Fiscal Year | 12% | 12% |

2. Technology and products that has been successfully developed

| Year | Content of Technologies |
|---|---|
| 1999 | Established the SOC architecture based on W65C02. |
| 2000 | Completed the electronic dictionary chip with full integration, and set up the IP with a total of 16Mbit Mask ROM, 32Kbit SRAM, Dual-port SRAM, DMA, LCD controller, low voltage detector circuit, etc. |
| | Established the self-developed text LCD Controller/ Driver architecture; Researched and developed and improved the anti-static damage capability to an industrial level. |
| | Completed power-saving SOC chip with standby current less than three microamps. |
| 2001 | Completed the super power-saving (60 microamps) LCD Controller/Driver for mobile phones, with the output voltage variation of various display graphics less than 1%. |
| | Completed the built-in Chinese font LCD Controller. |
| | Designed high voltage (40V) related IP, e.g. Power hoist protection circuit, high voltage ESD protection circuit, Level shift circuit, etc. |
| 2002 | Electronic dictionary, LCD Driver for electronic dictionary, LCD Driver for mobile phone, LCD Driver for PDA. |
| | Built-in power-saving OP and Booster circuit, which can greatly improve the display quality of the electronic dictionary and save 300 microamps. |
| | Built-in partial voltage capacitor and double voltage capacitor, saving external parts of the phones. |
| | Completed the LCD Drive with HI FAS drive mode, saving 40% power compared with traditional circuits. |
| 2003 | Built 0.35 μ design. |
| | Built DSP technology. |
| | Built Audio application technology |
| | Built CSTN color technology. |
| | Started to build TFT color technology. |
| | Built Shared Pixel Rendering color technology. |
| | Built Color Dithering color technology. |
| Built white LED driver technology. | |
| 2004 | Completed an electronic dictionary platform with USB and Flash reading interface. |
| | Completed the research and development of DSP voice chips. |
| | Completed 26XX series of educational toy products. |
| | Completed the research and development of 4K Color STN Driver, mass-produced and delivered. |
| | Completed the research and development of 65K Color STN Driver, mass-produced and delivered. |
| Completed the product research and development of TFT LCD Driver for mobile phones. | |
| 2005 | Completed a new generation architecture platform for electronic dictionaries. |
| | Established the technology of hardware and software for music players. |
| | Completed the research and development of the educational toy product line. |
| | Completed the CSTN Driver for the HIFAS architecture. |
| | Introduced TFT Mobile Driver to mass production. |
| | Built the technical capability of a Large Panel Driver. |
| Continued the cost down work of STN and CSTN products. | |
| 2006 | Built VoIP control integrated circuit technology. |
| | Built the integrated circuit technology of the chip card reader with a USB interface. |
| | Built an 8-bit microprocessor development system based on a USB interface. |
| | Successfully introduced the Green Driver technology into STN and CSTN products. |
| | Successfully introduced TFT IC into MP4 and high-end mobile phone market and smoothly introduced it to mass production. |
| | Built a complete small and medium-size TFT product line. |
| | Completed the development of automotive LCD Driver IC. |
| | Started the mass production of 6 bits 384 Channels Source Driver for LCD monitors. |
| | Started the mass production of 256 Channels Gate Driver for LCD monitors. |
| Started the mass production of 6 bits 642 Channels Source Driver for LCD monitors. | |
| 2007 | Built an 8-bit and the 32-bit digital photo frame system. |
| | USB interface single-chip for wafer reader was recognized by the international manufacturers and introduced it to mass production. |
| | Established a complete and quick multimedia playback platform. |

| Year | Content of Technologies |
|---|---|
| | Successfully introduced Green Driver MSTN/CSTN to mass production. |
| | Successfully introduced vehicle LCD Driver to mass production. |
| | Completed the new technology of Crosstalk compensating circuit and introduced it to mass production. |
| | Built the research and development technology of Green Driver TFT. |
| | Started the mass production of 6 bits 384/642 Channels Source Driver for LCD monitors. |
| | Started the mass production of 256/300/350 Channels Gate Driver for LCD monitors. |
| | Completed the verification of 6 bits 720/840 Channels Source Driver for LCD monitors. |
| | Completed the verification of 8 bits Source Driver and 400 Channels Gate Driver for LCD monitors. |
| 2008 | Completed the verification of 1200 Channels Source with 480/600 Channels Gate for AV monitors. |
| | Established a complete digital photo frame product system. |
| | Built a multi-functional personal karaoke player. |
| | Introduced the Palette Driver to mass production. |
| | Researched and developed the E-Paper driver chip. |
| | Introduced CABC & Dot Inversion TFT LCD driver IC for mobile phones. |
| | Started the mass production of 6 bits 642/720 Channels Source Driver for LCD monitors. |
| | Started the mass production of 400 Channels Gate Driver for LCD monitors. |
| | Completed the verification of 6 bits 960 Channels Source Driver for LCD monitors. |
| | Completed the verification of 88 bits Source Driver for LCD TV. |
| 2009 | Started the mass production of 1200 Channels Source Driver and 600 Channels Gate Driver for Low-price Notebook panel, completed the verification of 480 Channels Gate Driver. |
| | Completed the output of the Source Driver Engineering Sample of the 1200 Channels built-in Timing controller for digital photo frame panels. |
| | Personal portable Karaoke Audio Player product. |
| | Completed the design of speech book system and development of software. |
| | Developed the TFT LCD drive single-chip Green Driver technology for mobile phones. |
| | Started the mass production of small-size TFT LCD driver single-chip built-in capacitor technology. |
| | Started the mass production of small-size TFT LCD driver single-chip built-in backlight power-saving technology. |
| | Started the mass production of mini-LVDS 6 bit 960 channels COF driver for LCD monitors. |
| | Started the mass production of RSDS 6 bit 960 channels COF driver for LCD monitors. |
| | Completed the verification of mini-LVDS 6 bit 1026 channels COF driver for LCD monitors. |
| 2010 | Completed the verification of mini-LVDS 768 channels COG source driver for Notebook panel. |
| | Completed the verification 800 ch and 600 ch COG gate driver supporting Dual gate architecture for Notebook panel. |
| | Completed the output of the Source Driver of 1200 Channels built-in Timing controller for digital photo frame panels. |
| | A new generation of multi-functional control chip and processing platform. |
| | Portable music singing program. |
| | Voice sound control platform. |
| | The program of the 32-bit processor applied in the learning machine market. |
| | A new generation of the 32-bit processor chips. |
| | The controller chips for Apple accessories products. |
| | Expanded the driver chips built-in capacitor products for mobile phones. |
| | Built the small-size, medium and high-resolution drive chip technology without capacitors. |
| | Researched and developed the small-size driver chip of integrated circuit for reducing memory unit. |
| | Built the driver chip high-speed single-channel interface technology for mobile phones. |
| Started the mass production of mini-LVDS 768 channels COG source driver for Notebook panel. | |
| Started the mass production of 960ch gate driver supporting the Dual gate architecture for medium-size panel. | |
| Started the mass production of the Source Driver of 1200 Channels built-in Timing controller for automotive panels. | |
| Started the mass production of mini-LVDS 6 bits 1026 channels COF source driver for LCD monitors. | |
| Started the mass production of Source/Gate driver for industrial panel. | |
| 2011 | Expanded the TFT LCD driver single-chip built-in capacitor products for mobile phones. |
| | Built the TFT LCD, medium and high-resolution driver single-chip technology without capacitors for mobile phones. |
| | Built the driver single-chip high-speed single-channel interface technology for mobile phones. |
| | Introduced the new STN Driver IC for customer testing, and successfully introduced it to mass production at the end of the year. |
| | Completed the research and development of TN Driver COG IC, and introduced it to marketing promotion. |
| | Developed medium-sized TFT 800*480 resolution 2 chip solution, high pin count gate driver, built-in timing generation circuit, driver IC supporting 1024*768 resolution and arbitrary resolution timing generation circuit. |
| | Developed the driver IC with built-in timing generation circuits, real 8-bit driver IC and temperature compensation circuits for automotive TFT panel. |
| | Started the mass production of multi-touch program for tablet PC. |
| | Passed the certification of Win7 10-finger touch Logo. |
| | Built the Single-layer ITO touch sensing technology. |
| | Started the mass production of a new generation of five-finger touch single-chip for smartphones. |
| | Launched a multi-touch single-chip designed specifically for tablet PC. |

| Year | Content of Technologies |
|--|---|
| | Complete the multi-touch control technology supporting OGS (One Glass Solution). |
| | Built the multi-touch technology that could resistant to high noise of power adapters. |
| 2012 | Built the driver chip technology with small-size, TFT LCD, medium and high-resolution, without capacitors. |
| | Developed the driver chip with built-in timing generation circuit and power circuit. |
| | Developed the control chip for 3D glasses. |
| | External power supply system of Mono-STN Green Driver. |
| | Developed the 1024*600 resolution 2Chip solution. |
| 2013 | Built the technology of TFT LCD driver IC with high-speed interface, high-speed SRAM, Line buffer for mobile phones. |
| | HD720 (800*1280) For LTPS LCD Driver. |
| | Built the small-size driver single-chip technology with TFT LCD, medium and high-resolution, without capacitors for feature phones. |
| | Developed the ES of PND 480x272 0C driver IC. |
| | Researched and developed the STN DRIVER NEW BOOST SYSTEM WITH ZERO CAPS. |
| 2014 | 2/4 direction gesture control proximity sensor. |
| | Small sensor hole proximity sensor. |
| | 320*240 resolution STN display driver chip for industrial control instrument. |
| | 480*272 resolution color TFT display driver chip for Smart Home products. |
| | HVGA (480*320) Zero Cap a Si TFT LCD driver IC. |
| | HD720 (1280*800) a Si TFT LCD driver IC. |
| | WVGA Burst Out DC/DC Converter for Zero Cap Driver IC. |
| | MIPI with 1.5G pbs Lane Speed. |
| Integrated IC of Touch IP for TDDI (Touch + display driver). | |
| 2015 | 320*240 STN with LVDS display driver chip for industrial control instrument. |
| | 800*480 STN display driver chip for industrial control instrument. |
| | 1.5 m/m small-sensor-hole proximity sensors. |
| | 1920*720 1440-channel TFT display driver chip for automotive center stack/instrument cluster. |
| 2016 | Announced to launch the HD720 zero-capacity version. |
| | Announced to launch the FHD Zero capacitor version. |
| 2017 | Started the mass production of automotive touch controller. |
| | Launched the upgrade version of the proximity sensor. |
| 2018 | Launched the low power consumption industrial control DDI product. |
| | Launched the micro-gap proximity sensor and under-screen proximity sensor. |
| 2019 | Launched the upgrade version of the distance and ambient light sensors. |
| | Launched the advanced drive chip for industrial control display. |
| | Launched the drive chip for wearable display. |
| 2020 | Launched the RGB + Flicker sensor for mobile phones and cameras. |
| | Launched the drive chip for AMOLED wearable display. |
| | Launched the drive chip for PMOLED industrial control display. |

(IV) Long-term and short-term business development plans

(1) Short-term business development plans

1) Marketing strategy:

Continuing to expand the channels and strengthening overseas marketing (such as Japan, Korea, etc.) to increase the market share of LCD driver chips.

2) Production strategy:

Strengthening the layout and development of cooperation with domestic and foreign foundries, packaging plants, test plant and other outsourcing manufacturers, to enhance and stabilize the supply source and flexibility. Actively establishing the information network connection with the cooperative supply chain manufacturers, so as to facilitate immediate control of the production schedule and quantity.

3) Product strategy:

Continuously diversifying the application of product and balance the development of all product lines to reduce the impact of the product's economic cycle on the Company's operations and profitability.

(2) Long-term business development plans

1) Continuously improving the breadth and depth of product application and establishing a complete sales base. Cooperating with the international

development strategy to enhance the international brand customers and market awareness.

- 2) Developing new processes and technologies with supply chain plants to spread risks.
- 3) Fully grasping the market impulse, developing towards the high profit, high growth niche products, and continuing to invest in research and development, master the key technology and aim for maximum profit.
- 4) Providing a complete analysis of the growth and market development of the Company and conducting comprehensive financial planning and regular audits accordingly, in order to reduce operational risks and enhance the competitiveness of the Company.
- 5) Adhering to the concept of sustainable management, establishing a good corporate culture, continuing the direction of short-term development plan to respond to the growth of scale of operation.

II Overview of Market and Production and Marketing

(I) Market analysis

1. Sales area of major products

Unit: NT\$ thousand

| Sales Area | 2019 | | 2020 | |
|----------------------|------------|----------------|------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Taiwan | 673,515 | 4.88 | 897,710 | 6.50 |
| Hong Kong and Others | 13,129,223 | 95.12 | 12,906,852 | 93.50 |
| Total | 13,802,738 | 100.00 | 13,804,562 | 100.00 |

2. Market share

At present, the Company's main products include small-size display driver IC, proximity sensors, ambient light sensors, etc. Sitronix is the market leader in display driver IC for feature phones and wearable devices, with a global market share of more than 60%. We expect to continuously consolidate the market position of our existing products and simultaneously, increase the global market share of display driver IC and sensors in smartphones.

3. Future supply and demand and growth of the market

The small-size panel drive IC designed by Sitronix is mainly applied in mobile phones but has also been used in other products such as smart speakers and wearable devices in recent years, and shipments of such products are expected to grow steadily in the future. As for the sensors, the Company is planning to continuously introduce upgraded versions and new product lines so as to drive growth steadily.

4. Competitive niche

(1) Professional and stable management team

Sitronix's market positioning is completely specific and its strategy focuses on long-term and steady development. The Group's management team is of rich and comprehensive experience and can make rigorous and definite decisions, thus it can effectively grasp the cooperation between the upstream and downstream supply chains, as well as the key technologies of products, and has the strength to self-develop new products, so as to maintain its good competitive advantage.

(2) Complete product portfolio

In terms of the main product driver IC (DDI), Sitronix offers a complete product portfolio, various from black and white TN and STN to color TFT, from low resolution to medium and high-resolution.

In addition to DDIs, Sitronix also provides touch control chips, MCUs, power management chips, ambient light sensors, proximity sensors, accelerometers, etc. On the whole, Sitronix Group is involved in a wide range of industries,

including feature phones, smart mobile phones, wearable devices, vehicle-mounted products, industrial control, etc., in which industrial control covers hundreds of applications, including U-key, multi-function printers (printers, etc.), smart electric meters and other products.

The advantages of a diversified product portfolio include: (a) a one-stop service for customers with many product lines and different needs. (b) reduce the risks brought to the Company by a single product and a single industry. (c) different industries have the trends of different revenue and gross margin which can balance each other.

(3) Maintaining good relationship with foundries

The Group has a long history of good cooperation with well-known foundries. In addition to fully grasping the timing of product production process, it also can effectively reduce costs and ensure quality. During the off-season, we can allocate the production capacity to reduce the cost of foundry, which can provide good competitiveness for the cost, quality and efficiency of our products.

5. Advantages and disadvantages for future development and response strategies

1) Advantages

A. Sustainable growth of IOT

The wide range of related applications of IOT, coupled with the rapid development of peripherals of various hand-held devices, has brought new demands for DDI and related sensors.

B. Growth of panel size and quantity

In addition to the growing demand for consumer electronics such as smartphones and wearable devices, the use of panels is also expected to increase in other markets such as vehicle-mounted, medical, and digital signage. Moreover, there is also a tendency to increase the size of existing panels, such as the for automotive panels, it develops gradually from the traditional less than six inches to seven to nine inches, or even more than nine inches, and the larger the panel size, the more DDI needed, and thus promote the overall market growth.

C. Industrial structure of specialization

The IC industry adopts the operation mode based on specialization, with IC design companies focusing on design rather than manufacturing. Therefore, in the rapidly changing industrial environment, IC design companies can enjoy greater flexibility to upgrade existing products or plan new products.

2) Disadvantages and response strategies

A. The functions required to drive ICs tend to be more complex

As the requirements of all aspects of panels for electronic products increase, and the panel types include different types such as LCD and OLED, the design of driver IC also needs to upgrade accordingly. This trend increases the complexity of driver IC.

Response Strategies

The Company's market positioning is very specific that it will continue to strengthen product layout and communication with customers, grasp the most advanced technology development trends and develop corresponding strategies to reduce the risk.

B. Product prices are under downward pressure

Consumer products, such as mobile phones are under relatively high pressure of prices falling. Under the pressure of price reduction, if the driver IC manufacturer is unable to control costs, its profitability level will be affected.

Response Strategies

- (1) Continuously investing in research and development and establish differentiated technical barriers to increase the distance from competitors.
 - (2) Diversifying product portfolio, taking into account industries with low price falling pressure and high gross margin.
 - (3) Continuously and rigorously managing the upstream and downstream industrial chain to control product cost.
 - (4) Continuously improving production process and design, increasing grain output per wafer, and strategically adjusting inventory during the off-season.
 - (5) Enhancing customer service and explore new market opportunities to maintain the Company's competitive advantage.
- C. The market product changes rapidly and the product life cycle becomes shorter

The rapid progress of semiconductor technology, the increased demand for product functions and the peers' successively development on new products have accelerated the pace of replacement.

Response Strategies

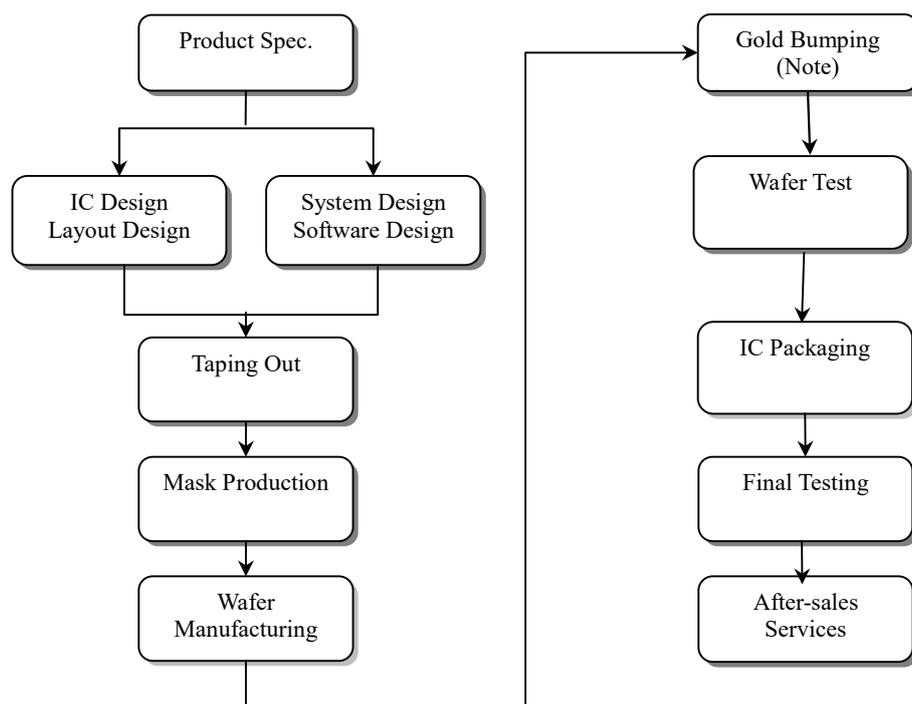
- (1) Continuing to decentralize the application and developing niche products to respond to rapid market changes.
- (2) Strengthening product planning, making full use of accumulated achievements and experience to maintain the leading position in product R&D, widening the technological gap with competitors, and getting rid of the situation of price competition.
- (3) Continuing to maintain a good cooperative relationship with the downstream wafer foundry and packaging test plant to optimize the IC production schedule.

(II) Important applications and manufacturing processes of main products

1. Important applications of main products

- (a) Display panel driver chips for feature phones, smartphones, various portable consumer products, etc.
- (b) Display panel driver chips for multi-function printers, office automation equipment, industrial control products, POS machines, etc.
- (c) Chips of ambient light sensors, proximity sensors, accelerometers for smartphones and wearable devices.
- (d) Driver chips for vehicle-mounted display panels.
- (e) Touch control chips for wearable devices, industrial controls and automotive applications.

2. Manufacturing processes of main products



Note: The gold bumping process is subject to requirements of products or customers

In the aforesaid process of grain production, the Company is responsible for the specification, IC design, system design and after-sales services. The mask production, wafer manufacturing, gold bumping, wafer testing, IC packaging, and final testing are commissioned to professional manufacturers.

(III) Supply situation of major raw materials

The main raw materials of the Group are wafers, which are mainly provided by Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC) and Vanguard International Semiconductor Corporation. With the stable quality of their products and high cooperation on capacity of supply and demand and delivery time, the Group has a good relationship with these two suppliers and has cooperated for a long time, thus there is no risk on the shortage of supply.

(IV) Names of customers who have accounted for more than 10% of the total amount of goods purchased (sold) in any of the most recent two years and the amount and proportion of the goods purchased (sold), and state the reasons for the increase or decrease

1. Information of major suppliers in the most recent two years

Unit: NT\$ thousand

| Item | 2019 | | | | 2020 | | | | Up to Previous Quarter of 2021 Fiscal Year | | | |
|-------|----------------|-----------|---|------------------------------|----------------|-----------|---|------------------------------|--|-----------|---|------------------------------|
| | Name | Amount | As a Percentage of the Annual Net Purchases [%] | Relationship with the Issuer | Name | Amount | As a Percentage of the Annual Net Purchases [%] | Relationship with the Issuer | Name | Amount | As a Percentage of the Net Purchases up to the Previous Quarter of the Year [%] | Relationship with the issuer |
| 1 | Manufacturer A | 3,907,600 | 66% | None | Manufacturer A | 2,920,627 | 56% | None | Manufacturer A | 921,026 | 64% | None |
| 2 | Manufacturer B | 813,003 | 14% | None | Manufacturer B | 847,027 | 16% | None | Manufacturer B | 164,253 | 11% | None |
| 3 | Others | 1,169,251 | 20% | None | Others | 1,461,046 | 28% | None | Others | 356,567 | 25% | None |
| Total | Net purchases | 5,889,854 | 100% | None | Net purchases | 5,228,700 | 100% | None | Net purchases | 1,441,846 | 100% | None |

Reasons for increase or decrease: The main purchased products of Sitronix and its subsidiaries are wafers. As a result of the changes in the sales portfolio and the manufacturing process, there are some changes in the suppliers, amounts and proportions.

2. Information of major customers in the most recent two years

Unit: NT\$ thousand

| Item | 2019 | | | | 2020 | | | | Up to Previous Quarter of 2021 Fiscal Year | | | |
|-------|------------|------------|---|------------------------------|------------|------------|---|------------------------------|--|-----------|---|------------------------------|
| | Name | Amount | As a Percentage of the Annual Net Sales [%] | Relationship with the Issuer | Name | Amount | As a Percentage of the Annual Net Sales [%] | Relationship with the Issuer | Name | Amount | As a Percentage of the Net Sales up to the Previous Quarter of the Year [%] | Relationship with the Issuer |
| 1 | Customer A | 1,832,091 | 13% | None | Customer A | 760,576 | 6% | None | Customer A | 93,044 | 2% | None |
| 2 | Others | 11,970,647 | 87% | None | Others | 13,043,986 | 94% | None | Others | 3,949,596 | 98% | None |
| Total | Net sales | 13,802,738 | 100% | None | Net sales | 13,804,562 | 100% | None | Net sales | 4,042,640 | 100% | None |

Reasons for increase or decrease: As a result of the changes in the sales portfolio and the market environment, the amounts and proportions of sales of major customers of Sitronix and its subsidiaries have changed.

(V) Table of production output for the most recent two years

Unit: NT\$ thousand/thousand pieces

| Production Quantity Major Commodities | Year | 2019 | | | 2020 | | |
|--|------|----------|-----------|--------------|----------|-----------|--------------|
| | | Capacity | Yield | Output Value | Capacity | Yield | Output Value |
| Integrated Circuit Design Product | | - | 1,973,275 | 9,257,037 | - | 1,901,786 | 8,767,300 |
| Others | | - | - | 171,043 | - | - | 255,069 |
| Total | | - | 1,973,275 | 9,428,080 | - | 1,901,786 | 9,022,369 |

Note: The main products of Sitronix and its subsidiaries are IC design of integrated circuit, which are commissioned by semiconductor factory for manufacturing, and outsourced for testing, packaging and shipment. The Company itself does not have the production capacity, thus is not applicable.

(VI) Table of sales volume for the most recent two years

Unit: NT\$ thousand/thousand pieces

| Sales Volume Major Commodities | Year | 2019 | | | | 2020 | | | |
|-----------------------------------|------|----------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|
| | | Domestic Sales | | Export Sales | | Domestic Sales | | Export Sales | |
| | | Sales Volume | Sales Volume | Sales Volume | Sales Volume | Sales Volume | Sales Volume | Sales Volume | Sales Volume |
| Integrated Circuit Design Product | | 48,834 | 465,900 | 1,924,847 | 13,118,446 | 63,332 | 492,775 | 1,784,343 | 12,884,191 |
| Others | | - | 207,615 | - | 10,777 | - | 404,935 | - | 22,661 |
| Total | | 48,834 | 673,515 | 1,924,847 | 13,129,223 | 63,332 | 897,710 | 1,784,343 | 12,906,852 |

III Employees

| Year | | 2019 | 2020 | The Current Fiscal Year up to March 31, 2021 |
|---------------------------------|-------------------|-------|-------|--|
| Numbers of Employees | Management | 174 | 182 | 197 |
| | Professional | 488 | 538 | 537 |
| | Assistant | 89 | 101 | 103 |
| | Technician | 91 | 106 | 114 |
| Total | | 842 | 927 | 951 |
| Average Age | | 38.25 | 38.39 | 38.52 |
| Average Years of Service | | 6.42 | 6.39 | 6.44 |
| Educational Ratio at All Levels | Doctor Degree | 2.1% | 1.8% | 1.8% |
| | Master Degree | 45.1% | 41.9% | 41.7% |
| | College Degree | 47.5% | 50.5% | 50.4% |
| | High School | 5.1% | 5.5% | 5.8% |
| | Below High School | 0.2% | 0.3% | 0.3% |
| Total | | 100% | 100% | 100% |

IV Information on Environmental Protection Expenditure

Any Losses Suffered by the Company in the Most Recent Fiscal Year and up to the Annual Report Publication Date due to Environmental Pollution Incidents (Including Any Compensation Paid and Any Violations of Environmental Protection Laws or Regulations Found in Environmental Inspection, Specifying the Disposition Dates, Disposition Reference Numbers, the Articles of Law Violated, and the Content of the Dispositions), and Disclosing an Estimate of Possible Expenses that Could be Incurred Currently and in the Future and Measures Being or to be Taken. If a Reasonable Estimate Cannot be Made, an Explanation of the Facts of Why It Cannot be Made Shall be Provided: None.

V Labor Relations

(I) Employee Benefits, Continuing Education, Training, Retirement Systems, and the Status of their Implementation, as well as the Status of Agreements Between Labor and Management, and All Measures Aimed at Preserving the Rights and Interests of Employees.

1. Benefits from the Company:

Providing staff with diversified and considerate benefits, so that colleagues can focus on work without any worries, as well as a variety of leisure and entertainment and rich club activities, enabling employees to balance work and life and always maintain full vitality. The Company provides employee benefits as follows:

- (1) Humanized management and a comfortable working environment.
- (2) Weekends off, flexible leave system, leave calculation method better than that of the Labor Standards Act.
- (3) Annual travel subsidies.
- (4) Employee parking subsidies.
- (5) Providing high-value group insurances, ensuring medical quality and household economy.
- (6) Regular free and comprehensive health check every year, benefiting employees' physical and mental health.
- (7) Festival gift certificates and bonuses; Birthday gift certificates; marriage and funeral subsidies.
- (8) Organizing team-building activities occasionally.
- (9) Club activities and financial subsidies.
- (10) Comprehensive education and training system and subsidies.

In order to improve employees' relations, the Company holds various ball games, sports meetings, family days, life lectures and other activities to enhance the interaction and connection among the Company and employees, supervisors and colleagues.

2. Benefits from the Employee Welfare Committee:

The Company has established the Employee Welfare Committee according to regulations and made allocations to the employee welfare funds on a monthly basis. The Employee Welfare Committee plans and organizes annual domestic travel for employees, issues annual festival gift certificates, celebrates father's day and mother's day, and organizes the Company's year-end parties, etc.

3. Education and Training:

In order to improve the quality of human resources and meet the needs of the Company's future internationalization and enterprise operation and management, the Company has established Measures for the Administration of Education and Training and provides a complete on-the-job training system, increases on-the-job professional skills and management training, provides subsidies for training expenses, provides a complete training system for new employees to help them quickly integrate into the organizational team, to meet the needs of personal

development, enabling employees to enjoy a full range of growth environment and space.

4. Retirement System and Implementation:

In accordance with the provisions of the "Labor Pension Act", the Company contributes 6% of the monthly salary as labor pension funds to individual labor pension accounts at the Bureau of Labor Insurance, Ministry of Labor (hereinafter "the Bureau") for employees covered by the Act. Employees may voluntarily submit pension deposits within 6% of their monthly income from professional practice. The employee's pension deposits voluntarily contributed by themselves may be deducted in full from his/her annual comprehensive income of the year. In addition, if the employee meets the retirement eligibility stipulated in the "Labor Standards Act" and applies for retirement, the Company will, according to the previous standards, pay the pension equivalent to two months' average wages for every full year of employment, pay the pension equivalent to one month's average wages for every full year of employment to whom has seniority of more than 15 years, up to a maximum of 45 months. In accordance with the Labor Standards Act, the Group allocates 2% of the total salary of the employees as the pension fund, which is deposited in the special account of Bank of Taiwan in the name of the Supervisory Committee of Workers' Retirement Reserve Fund.

5. Agreements between Labor and Management:

The Company attaches great importance to labor relations, and adopts mostly communication and coordination methods to deal with labor and management so that both parties can get a common understanding to promote all work smoothly.

- (II) Any Losses Suffered by the Company in the Most Recent Fiscal Year and up to the Annual Report Publication Date due to Labor Disputes (Including Any Violations of the Labor Standards Act Found In Labor Inspection, Specifying the Disposition Dates, Disposition Reference Numbers, the Articles of Law Violated, the Substance of the Legal Violations, and the Content of the Dispositions), and Disclosing an Estimate of Possible Expenses that could be Incurred Currently and in the Future and Measures Being or to be Taken. If a Reasonable Estimate Cannot be Made, an Explanation of the Facts of Why It Cannot be Made Shall be Provided: None.

VI Important Contracts: None.

Chapter 6 Financial Conditions

I. Condensed Balance Sheet and Comprehensive Income Statement of the Most Recent Five Fiscal Years

(I) Condensed Balance Sheet - adopting IFRSs
A. Consolidated Financial Statements

Unit: NT\$ thousand

| Item | | Year | Financial Data for the Most Recent Five Fiscal Years (Note 2) | | | | | Financial Data for the Current Fiscal Year up to March 31, 2021 (Note 3) |
|---|---------------------|------|--|-----------|-----------|------------|-----------------------|---|
| | | | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Current Assets | | | 5,704,160 | 5,057,965 | 6,415,599 | 8,626,168 | 11,544,737 | 12,168,616 |
| Property, Plant and Equipment | | | 863,693 | 782,145 | 810,304 | 854,126 | 1,022,534 | 1,346,691 |
| Intangible Assets | | | 44,780 | 55,789 | 47,875 | 37,986 | 43,766 | 48,244 |
| Other Assets | | | 749,835 | 1,135,096 | 1,092,733 | 1,242,624 | 1,205,123 | 1,642,145 |
| Total Assets | | | 7,362,468 | 7,030,995 | 8,366,511 | 10,760,904 | 13,816,160 | 15,205,696 |
| Current Liabilities | Before Distribution | | 2,219,675 | 1,903,937 | 2,940,851 | 3,845,836 | 4,195,622 | 5,113,092 |
| | After Distribution | | 2,943,501 | 2,566,784 | 3,541,964 | 4,626,726 | 5,096,649 (Note 1) | 6,014,119 (Note 1) |
| Non-current Liabilities | | | 126,265 | 128,814 | 219,988 | 309,376 | 341,461 | 327,009 |
| Total Liabilities | Before Distribution | | 2,345,940 | 2,032,751 | 3,160,839 | 4,155,212 | 4,537,083 | 5,440,101 |
| | After Distribution | | 3,069,766 | 2,695,598 | 3,761,952 | 4,936,102 | 5,438,110 (Note 1) | 6,341,128 (Note 1) |
| Equity Attributable to Shareholders of the Parent | | | 4,687,378 | 4,679,659 | 4,712,266 | 5,465,900 | 6,641,138 | 6,549,799 |
| Share Capital | | | 1,206,376 | 1,205,176 | 1,202,226 | 1,201,369 | 1,201,369 | 1,201,369 |
| Capital Surplus | | | 811,101 | 785,875 | 761,304 | 772,321 | 1,662,839 | 1,668,683 |
| Retained Earnings | Before Distribution | | 2,799,023 | 2,766,102 | 3,026,335 | 3,569,736 | 3,966,033 | 4,752,637 |
| | After Distribution | | 2,075,197 | 2,103,255 | 2,425,222 | 2,788,846 | 3,065,006 (Note 1) | 3,851,610 (Note 1) |
| Other Equity | | | (129,122) | (77,494) | (277,599) | (77,526) | (180,224) | (162,984) |
| Treasury Shares | | | — | — | — | — | (8,879) | (8,879) |
| Non-controlling Interest | | | 329,150 | 318,585 | 493,406 | 1,139,792 | 2,637,939 | 2,314,769 |
| Total equity | Before Distribution | | 5,016,528 | 4,998,244 | 5,205,672 | 6,605,692 | 9,279,077 | 9,765,595 |
| | After Distribution | | 4,292,702 | 4,335,397 | 4,604,559 | 5,824,802 | 8,378,050 (Note 1) | 8,864,568 (Note 1) |

Note 1: The amount approved by Board of Directors on March 18, 2021.

Note 2: The financial data from 2016 to 2020 has been audited and certified by the CPAs.

Note 3: The financial data for the first quarter of 2021 is reviewed by the CPAs.

(I) Condensed Balance Sheet - adopting IFRSs
 B. Parent Company Only Financial Statements

Unit: NT\$ thousand

| Item \ Year | | Financial Data for the Most Recent Five Fiscal Years (Note 2) | | | | |
|---|---------------------|--|-----------|-----------|-----------|-----------------------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Current Assets | | 4,156,236 | 3,573,205 | 4,022,086 | 3,999,315 | 4,173,217 |
| Property, Plant and Equipment | | 539,985 | 429,248 | 454,410 | 416,017 | 422,019 |
| Intangible Assets | | 42,629 | 50,246 | 40,400 | 30,291 | 19,659 |
| Other Assets | | 1,795,317 | 2,173,676 | 2,405,849 | 3,470,418 | 4,387,040 |
| Total Assets | | 6,534,167 | 6,226,375 | 6,922,745 | 7,916,041 | 9,001,935 |
| Current Liabilities | Before Distribution | 1,776,952 | 1,476,132 | 2,135,760 | 2,348,613 | 2,254,123 |
| | After Distribution | 2,500,778 | 2,138,979 | 2,736,873 | 3,129,503 | 3,155,150 (Note 1) |
| Non-current Liabilities | | 69,837 | 70,584 | 74,719 | 101,528 | 106,674 |
| Total Liabilities | Before Distribution | 1,846,789 | 1,546,716 | 2,210,479 | 2,450,141 | 2,360,797 |
| | After Distribution | 2,570,615 | 2,209,563 | 2,811,592 | 3,231,031 | 3,261,824 (Note 1) |
| Equity Attributable to Shareholders of the Parent | | 4,687,378 | 4,679,659 | 4,712,266 | 5,465,900 | 6,641,138 |
| Share Capital | | 1,206,376 | 1,205,176 | 1,202,226 | 1,201,369 | 1,201,369 |
| Capital Surplus | | 811,101 | 785,875 | 761,304 | 772,321 | 1,662,839 |
| Retained Earnings | Before Distribution | 2,799,023 | 2,766,102 | 3,026,335 | 3,569,736 | 3,966,033 |
| | After Distribution | 2,075,197 | 2,103,255 | 2,425,222 | 2,788,846 | 3,065,006 (Note 1) |
| Other Equity | | (129,122) | (77,494) | (277,599) | (77,526) | (180,224) |
| Treasury Shares | | — | — | — | — | (8,879) |
| Non-controlling Interest | | — | — | — | — | — |
| Total Equity | Before Distribution | 4,687,378 | 4,679,659 | 4,712,266 | 5,465,900 | 6,641,138 |
| | After Distribution | 3,963,552 | 4,016,812 | 4,111,153 | 4,685,010 | 5,740,111 (Note 1) |

Note 1: The amount approved by Board of Directors on March 18, 2021.

Note 2: The financial data from 2016 to 2020 has been audited and certified by the CPAs.

(II) Condensed Comprehensive Income Statement - adopting IFRSs
A. Consolidated Financial Statements

Unit: NT\$ thousand

| Item \ Year | Financial Data for the Most Recent Five Fiscal Years (Note 1) | | | | | Financial Data for the Current Fiscal Year up to March 31, 2021 (Note 2) |
|---|--|-----------|------------|------------|------------|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Net Revenue | 10,189,747 | 9,431,062 | 10,330,505 | 13,802,738 | 13,804,562 | 4,042,640 |
| Gross Profit | 2,881,882 | 2,514,333 | 2,870,026 | 4,385,345 | 4,785,825 | 1,906,725 |
| Income from Operations | 1,245,724 | 853,537 | 1,042,514 | 2,086,426 | 2,383,048 | 1,137,566 |
| Non-Operating Income and Expenses | 12,761 | 134,731 | 79,416 | 116,996 | 140,578 | 19,857 |
| Income before Income Tax | 1,258,485 | 988,268 | 1,121,930 | 2,203,422 | 2,523,626 | 1,157,423 |
| Income from Continuing Operations | 1,099,027 | 891,234 | 1,013,820 | 1,938,157 | 2,164,113 | 976,292 |
| Loss from Discontinued Operations | — | — | — | — | — | — |
| Net Income (Loss) | 1,099,027 | 891,234 | 1,013,820 | 1,938,157 | 2,164,113 | 976,292 |
| Other Comprehensive Income (Net of Tax) | 8,718 | (18,662) | (143,054) | 194,609 | (194,887) | 24,184 |
| Total Comprehensive Income | 1,107,745 | 872,572 | 870,766 | 2,132,766 | 1,969,226 | 1,000,476 |
| Net Income Attributable to Shareholders of the Parent | 1,041,837 | 873,158 | 840,363 | 1,230,588 | 1,384,818 | 786,603 |
| Net Income Attributable to Non-controlling Interests | 57,190 | 18,076 | 173,457 | 707,569 | 779,295 | 189,689 |
| Total Comprehensive Income Attributable to Shareholders of the Parent | 1,050,555 | 854,496 | 697,847 | 1,425,752 | 1,190,501 | 803,843 |
| Total Comprehensive Income Attributable to Non-controlling Interests | 57,190 | 18,076 | 172,919 | 707,014 | 778,725 | 196,633 |
| Earnings Per Share | 8.77 | 7.32 | 7.03 | 10.27 | 11.53 | 6.55 |

Note 1: The financial data from 2016 to 2020 has been audited and certified by the CPAs.

Note 2: The financial data for the first quarter of 2021 is reviewed by the CPAs.

(II) Condensed Comprehensive Income Statement - adopting IFRSs
 B. Parent Company Only Financial Statements

Unit: NT\$ thousand

| Item \ Year | Financial Data for the Most Recent Five Fiscal Years (Note 1) | | | | |
|---|---|-----------|-----------|-----------|-----------|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Net Revenue | 7,876,747 | 7,553,780 | 7,503,697 | 8,306,120 | 7,327,386 |
| Gross Profit | 2,051,777 | 1,923,918 | 1,806,085 | 1,820,241 | 1,981,954 |
| Income from Operations | 935,213 | 750,120 | 550,252 | 375,051 | 557,220 |
| Non-Operating Income and Expenses | 222,910 | 210,404 | 354,344 | 917,431 | 954,715 |
| Income before Income Tax | 1,158,123 | 960,524 | 904,596 | 1,292,482 | 1,511,935 |
| Income from Continuing Operations | 1,041,837 | 873,158 | 840,363 | 1,230,588 | 1,384,818 |
| Loss from Discontinued Operations | — | — | — | — | — |
| Net Income (Loss) | 1,041,837 | 873,158 | 840,363 | 1,230,588 | 1,384,818 |
| Other Comprehensive Income (Net of Tax) | 8,718 | (18,662) | (142,516) | 195,164 | (194,317) |
| Total Comprehensive Income | 1,050,555 | 854,496 | 697,847 | 1,425,752 | 1,190,501 |
| Earnings Per Share | 8.77 | 7.32 | 7.03 | 10.27 | 11.53 |

Note 1: The financial data from 2016 to 2020 has been audited and certified by the CPAs.

(III) Name of CPAs and Their Opinions for Most Recent Five Years

| Year | Accounting Firm | Name of CPA | Auditor's Opinion |
|------|-------------------|----------------------------------|---------------------|
| 2016 | Deloitte & Touche | Su-Li Fang, Yu-Feng Huang | Unqualified Opinion |
| 2017 | Deloitte & Touche | Cheng-Chih Lin, Yu-Feng Huang | Unqualified Opinion |
| 2018 | Deloitte & Touche | Cheng-Chih Lin, Yu-Feng Huang | Unqualified Opinion |
| 2019 | Deloitte & Touche | Cheng-Chih Lin, Yu-Feng Huang | Unqualified Opinion |
| 2020 | Deloitte & Touche | Cheng-Chih Lin, Yu-Feng Huang | Unqualified Opinion |

II Financial Analysis of the Most Recent Five Fiscal Years

(I) Financial Data adopting IFRSs

A. Consolidated Financial Statements

| Item | Year | Financial Analysis for the Most Recent Five Fiscal Years | | | | | The Current Fiscal Year up to March 31, 2021 (Note 1) |
|---------------------|--|--|--------|--------|--------|--------|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Financial Structure | Debt-to-Asset Ratio | 31.86 | 28.91 | 37.77 | 38.61 | 32.83 | 41.70 |
| | Long-Term Capital to Property, Plant and Equipment Ratio | 595.44 | 655.51 | 669.58 | 809.60 | 940.85 | 682.53 |
| Solvency | Current Ratio | 256.98 | 265.65 | 218.15 | 224.29 | 275.16 | 202.33 |
| | Quick Ratio | 180.33 | 170.62 | 143.43 | 170.12 | 234.20 | 170.65 |
| | Times Interest Earned (Times) | 849.60 | 257.16 | 122.06 | 204.66 | 356.74 | 933.65 |
| Operating Ability | Receivables Turnover (Times) | 11.81 | 9.74 | 8.72 | 10.00 | 9.94 | 11.91 |
| | Average Collection Days | 30.90 | 37.47 | 41.85 | 36.50 | 36.72 | 30.64 |
| | Inventory Turnover (Times) | 5.05 | 4.12 | 3.92 | 4.73 | 5.22 | 5.14 |
| | Payables Turnover (Times) | 5.70 | 5.50 | 5.51 | 5.16 | 4.53 | 4.42 |
| | Average Inventory Turnover Days | 72.27 | 88.59 | 93.11 | 77.16 | 69.92 | 71.01 |
| | Property, Plant and Equipment Turnover (Times) | 13.16 | 11.46 | 12.97 | 16.58 | 14.71 | 13.65 |
| | Total Asset Turnover (Times) | 1.43 | 1.31 | 1.34 | 1.44 | 1.12 | 1.11 |
| Profitability | Return on Assets (%) | 15.50 | 12.42 | 13.26 | 20.35 | 17.65 | 27.31 |
| | Return on Equity (%) | 23.41 | 17.79 | 19.87 | 32.81 | 27.24 | 43.04 |
| | Pre-tax Income to Paid-in Capital Ratio (%) | 104.31 | 82.00 | 93.32 | 183.40 | 210.06 | 385.36 |
| | Net Profit Margin (%) | 10.78 | 9.44 | 9.81 | 14.04 | 15.67 | 24.14 |
| | Earnings Per Share (NT\$) | 8.77 | 7.32 | 7.03 | 10.27 | 11.53 | 6.55 |
| Cash Flow | Cash Flow Ratio (%) | 49.45 | 30.72 | 35.43 | 88.52 | 72.49 | 20.48 |
| | Cash Flow Adequacy Ratio (%) | 96.29 | 88.11 | 100.47 | 134.79 | 159.58 | 166.82 |
| | Cash Flow Reinvestment Ratio (%) | 8.73 | (2.41) | 6.28 | 36.79 | 21.66 | 12.25 |
| Leverage | Operating Leverage | 7.00 | 9.32 | 8.37 | 5.64 | 4.88 | 2.95 |
| | Financial Leverage | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

Please state the reasons for the changes in financial ratio within the most recent two years: (exempt from analysis if the change is less than 20%)

- Solvency: As a result of the substantial increase of bank deposits in 2020 and the greater increase of current assets than current liabilities, the current ratio and quick ratio increased accordingly.
As a result of the growth of profits in 2020 and a sharp decrease in interest expenses, the times interest earned increased.
- Operating ability: As a result of the growth rate of total assets greater than that of revenue in 2020, the asset turnover rate decreased.
- Cash flow: As the net cash inflow from operating activities in 2020 decreased, the cash dividend payable was higher than in the previous year, and the non-current assets increased from the previous year. As a result, the cash flow reinvestment ratio was down from the same period last year.

Note 1: The financial data for the first quarter of 2021 is reviewed by the CPAs.

(I) Financial Data adopting IFRSs
 B. Parent Company Only Financial Statements

| Item | | Year | Financial Analysis for the Most Recent Five Fiscal Years | | | | |
|---------------------|--|------|--|----------|----------|----------|----------|
| | | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Financial Structure | Debt-to-Asset Ratio | | 28.26 | 24.84 | 31.93 | 30.95 | 26.22 |
| | Long-Term Capital to Property, Plant and Equipment Ratio | | 880.99 | 1,106.64 | 1,053.45 | 1,338.26 | 1,598.93 |
| Solvency | Current Ratio | | 233.89 | 242.06 | 188.32 | 170.28 | 185.13 |
| | Quick Ratio | | 159.36 | 155.61 | 120.23 | 122.95 | 144.50 |
| | Times Interest Earned (Times) | | 13,625.97 | 296.36 | 115.41 | 162.70 | 353.76 |
| Operating Ability | Receivables Turnover (Times) | | 10.61 | 8.32 | 8.15 | 9.08 | 8.87 |
| | Average Collection Days | | 34.40 | 43.87 | 44.78 | 40.19 | 41.14 |
| | Inventory Turnover (Times) | | 5.44 | 4.55 | 4.39 | 5.41 | 5.77 |
| | Payables Turnover (Times) | | 5.85 | 5.35 | 5.60 | 5.14 | 4.41 |
| | Average Inventory Turnover Days | | 67.09 | 80.21 | 83.14 | 67.46 | 63.25 |
| | Property, Plant and Equipment Turnover (Times) | | 16.02 | 15.58 | 16.98 | 19.08 | 17.48 |
| | Total Asset Turnover (Times) | | 1.29 | 1.18 | 1.14 | 1.11 | 0.86 |
| Profitability | Return on Assets (%) | | 17.17 | 13.72 | 12.87 | 16.67 | 16.41 |
| | Return on Equity (%) | | 23.52 | 18.64 | 17.89 | 24.18 | 22.87 |
| | Pre-tax Income to Paid-in Capital Ratio (%) | | 96.00 | 79.69 | 75.24 | 107.58 | 125.85 |
| | Net Profit Margin (%) | | 13.22 | 11.55 | 11.19 | 14.81 | 18.89 |
| | Earnings Per Share (NT\$) | | 8.77 | 7.32 | 7.03 | 10.27 | 11.53 |
| Cash Flow | Cash Flow Ratio (%) | | 37.76 | 47.76 | 29.47 | 58.25 | 33.21 |
| | Cash Flow Adequacy Ratio (%) | | 95.29 | 91.48 | 97.82 | 97.30 | 89.16 |
| | Cash Flow Reinvestment Ratio (%) | | 1.47 | (0.36) | (0.64) | 12.84 | (0.44) |
| Leverage | Operating Leverage | | 7.35 | 8.66 | 11.61 | 18.73 | 10.73 |
| | Financial Leverage | | 1.00 | 1.00 | 1.01 | 1.02 | 1.00 |

Please state the reasons for the changes in financial ratio within the most recent two years: (exempt from analysis if the change is less than 20%)

1. Financial structure: The increase or decrease was less than 20%.
2. Solvency: As a result of the growth of profits in 2020 and a sharp decrease in interest expenses, the times interest earned increased.
3. Operating ability: As a result of the growth of total assets in 2020 and a slight decrease in net revenue, the asset turnover rate decreased.
4. Profitability: As a result of the growth of profits in 2020 and the increase of net profit after tax compared with the same period last year, the net profit margin increased.
5. Cash flow: As a result of the decrease in the net cash inflow from operating activities in 2020, the cash flow ratio and cash flow reinvestment ratio decreased.
6. Leverage: As a result of the increase in the operating profit over last year, the operating leverage decreased.

The formula for calculating the financial ratio is as follows:

1. Financial structure

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

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets – inventory - prepaid expenses) / current liabilities.
- (3) Times Interest Earned = earnings before interest expense and taxes / interest expense.

3. Operating ability

- (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover = net sales / average receivables of each period (including accounts receivable and notes receivable arising from business operations).
- (2) Average collection days = 365 / receivables turnover.
- (3) Inventory turnover = cost of sales / average inventories.
- (4) Payables (including accounts payable and notes payable arising from business operations) turnover ratio = cost of sales / average payables for each period (including accounts payable and notes payable arising from business operations).
- (5) Average inventory turnover days = 365 / inventory turnover.
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
- (7) Total asset turnover = net sales / average total assets.

4. Profitability

- (1) Return on assets = [net income + interest expense x (1 – tax rate)] / average total assets.
- (2) Return on equity = net income / average total equity.
- (3) Net profit margin = net income / net sales.
- (4) Earnings per share = (net income attributable to shareholders of the parent – preferred stock dividend) / weighted average number of shares outstanding.

5. Cash flow

- (1) Cash flow ratio = net cash flow rising from operating activities / current liabilities.
- (2) Net cash flow adequacy ratio = net cash flow rising from operating activities in the most recent five years / (capital expenditure + inventory increase + cash dividend) in the most recent five years.
- (3) Cash reinvestment ratio = (net cash flow rising from operating activities – cash dividend) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital).

6. Leverage:

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

III Audit Committee's Review Report for the Most Recent Annual Financial Report

Sitronix Technology Corp.

Audit Committee's Review Report

The Board of Directors has prepared the Company's business report, financial statements, and the earnings distribution proposal for 2020, in which the financial statements have been audited by Deloitte & Touche Taipei, Taiwan Republic of China with the audit report issued. The above business statement, financial statement, and earnings distribution proposal have been verified by the Audit Committee and deemed as appropriate and reported as above in accordance with the relevant provisions of the Securities Exchange Act and the Company Act for approval.

Sincerely,

2021 Regular Shareholders' Meeting of Sitronix Technology Corp.

Sitronix Technology Corp.

Convener of the Audit Committee: Cheng-Chieh Dai

March 18, 2021

- IV Consolidated Financial Statements of the Most Recent Year with Independent Auditors' Report and Notes
Please refer to Page 96~185 of the Annual Report.
- V Parent Company Only Financial Statements of the Most Recent Year with Independent Auditors' Report and Notes
Please refer to Page 186~268 of the Annual Report.
- VI If the Company or Its Affiliates have Experienced Financial Difficulties in the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report, the Annual Report shall Explain how Said Difficulties will Affect the Company's Financial Situation: None.

Chapter 7 Review, Analysis, and Risks of Financial Conditions and Performance

I Review and Analysis of Financial Conditions

Unit: NT\$ thousand

| Item \ Year | 2020 | 2019 | Differences | | Remarks |
|--|------------|------------|-------------|-----------|---------|
| | | | Amount | Ratio (%) | |
| Current Assets | 11,544,737 | 8,626,168 | 2,918,569 | 34% | |
| Property, Plant and Equipment | 1,022,534 | 854,126 | 168,408 | 20% | |
| Intangible Assets | 43,766 | 37,986 | 5,780 | 15% | |
| Other non-current assets | 1,205,123 | 1,242,624 | (37,501) | -3% | |
| Total Assets | 13,816,160 | 10,760,904 | 3,055,256 | 28% | |
| Current Liabilities | 4,195,622 | 3,845,836 | 349,786 | 9% | |
| Non-current Liabilities | 341,461 | 309,376 | 32,085 | 10% | |
| Total Liabilities | 4,537,083 | 4,155,212 | 381,871 | 9% | |
| Share Capital | 1,201,369 | 1,201,369 | — | — | |
| Capital Surplus | 1,662,839 | 772,321 | 890,518 | 115% | |
| Retained Earnings | 3,966,033 | 3,569,736 | 396,297 | 11% | |
| Other Equities | (180,224) | (77,526) | (102,698) | 132% | |
| Treasury Shares | (8,879) | — | (8,879) | — | |
| Non-controlling Interest | 2,637,939 | 1,139,792 | 1,498,147 | 131% | |
| Total Equity | 9,279,077 | 6,605,692 | 2,673,385 | 40% | |
| <p>Explanation on the change of 20% or more, and the amount of change up to NT\$10 million or more:</p> <ol style="list-style-type: none"> Increase in current assets: it is mainly due to increase in gross profit of the Company and the issuance of common stock of subsidiaries. The Company had relatively adequate capital and was more active in investing in the year. As a result, cash and cash equivalents and financial assets measured at fair value through profit or loss increased, and current assets increased accordingly. Increase in property, plant, and equipment: it is due to the purchase of new offices by subsidiaries. Increase in total assets: it is mainly due to increase in gross profit of the Company and the issuance of common stock of subsidiaries. Increase in capital surplus: it is due to increase in the ownership interests in subsidiaries. Decrease in other equities: it is mainly due to the recognition of unrealized gains or losses from financial assets measured at fair value through other comprehensive income. Increase in non-controlling interest: it is due to the increase in subsidiaries' profits. Increase in total equity: it is mainly due to increase in gross profit of the Company and the issuance of common stock of subsidiaries. | | | | | |

Note: The financial position for the years 2020 and 2019 is presented with the consolidated financial data.

II Review and Analysis of Financial Performance

Unit: NT\$ thousand

| Item | Year | | Increase (Decrease) Amount | Changes Ratio (%) |
|---|------------|------------|----------------------------------|----------------------|
| | 2020 | 2019 | | |
| Net Revenue | 13,804,562 | 13,802,738 | 1,824 | 0% |
| Gross Profit | 4,785,825 | 4,385,345 | 400,480 | 9% |
| Income from Operations | 2,383,048 | 2,086,426 | 296,622 | 14% |
| Non-Operating Income and Expenses | 140,578 | 116,996 | 23,582 | 20% |
| Income before Income Tax | 2,523,626 | 2,203,422 | 320,204 | 15% |
| Net Profit for the Current Period | 2,164,113 | 1,938,157 | 225,956 | 12% |
| Other Comprehensive Income in the Current Period (Net of Tax) | (194,887) | 194,609 | (389,496) | -200% |
| Total Comprehensive Income for the Current Period | 1,969,226 | 2,132,766 | (163,540) | -8% |
| Net Income Attributable to Owners of the Parent Company | 1,384,818 | 1,230,588 | 154,230 | 13% |
| Net Income Attributable to Non-controlling Interests | 779,295 | 707,569 | 71,726 | 10% |
| Total Comprehensive Income Attributable to Owners of the Parent Company | 1,190,501 | 1,425,752 | (235,251) | -17% |
| Total Comprehensive Income Attributable to Non-controlling Interests | 778,725 | 707,014 | 71,711 | 10% |

1. Explanation on the change of 20% or more, and the amount of change up to NT\$10 million or more:
 - (1) Increase in non-operating income and expenses:
It is due to increase in interest income and net gain on fair value changes of financial assets designated at fair value through profit or loss.
 - (2) Decrease in other comprehensive income:
It is due to increase in the unrealized losses from financial assets measured at fair value through other comprehensive income.
2. The sales volume forecast and the basis thereof, and the possible impacts on the Company's future financial operations and response plans:
The sales volume forecast in the next year depends on the industrial boom and the changes in market supply and demand. The Company has been actively developing new products to prepare a complete product line and provide customer solutions for future growth and development.

Note: The financial position for the years 2020 and 2019 are presented with the consolidated financial data.

III Review and Analysis of Cash Flow

(I) Changes in Cash Flow of the Current Year

Unit: NT\$ thousand

| Beginning Cash Balance | Net Cash Flow from Operating Activities Throughout the Year | Net Cash Flow from Investment and Financing Activities Throughout the Year | Exchange Influence | Cash Surplus (Deficit) | Remedial Measures for Cash Deficit | |
|------------------------|---|--|--------------------|------------------------|------------------------------------|----------------|
| | | | | | Investment Plan | Financial Plan |
| 2,932,647 | 3,041,474 | (356,377) | (31,203) | 5,586,541 | — | — |

Analysis of changes:

- (1) Operating activities: net cash inflow generated from operating activities is mainly cash income from net revenue.
 - (2) Investment activities and financing activities: mainly include continuing investments in the cost of masks and other equipments for the research and development of new products this year, purchasing property, plant and equipment, financial assets and bond investments, depositing the time deposits of more than 3 months and paying cash dividends.
- (II) Remedial Measures for Cash Deficit and Liquidity Analysis: Not applicable.
- (III) Cash Liquidity Analysis for the Coming Year:

Unit: NT\$ thousand

| Beginning Cash Balance | Projected Net Cash Flow From Operating Activities Throughout The Year | Projected Net Cash Flow From Investment and Financing Activities Throughout The Year | Projected Cash Surplus (Deficit) | Remedial Measures for Projected Cash Deficit | |
|------------------------|---|--|----------------------------------|--|----------------|
| | | | | Investment Plan | Financial Plan |
| 5,586,541 | 3,940,175 | (3,392,440) | 6,134,276 | — | — |

Analysis of changes:

- (1) Operating activities: mainly include the projected continued growth of operating profit in 2021 and the active control of related expenses and losses and inventory turnover.
- (2) Investment activities and financing activities: mainly include projected activities such as continuous investments in the cost of masks and other types of equipment for the research and development of new products in 2021, purchase of property, plant, and equipment, financial assets investments, cash capital increase in subsidiaries and the payment of cash dividends.

IV Impact of any Major Capital Expenditures during the Most Recent Fiscal Year

- (I) The Use and Funding Sources of Major Capital Expenditures: None.
- (II) Projected benefits: None.

V Reinvestment Policy for the Most Recent Fiscal Year, the Main Reasons for the Profits/Losses Generated thereby, the Plan for Improving Reinvestment Profitability, and Investment Plans for the Coming Year

The reinvestment policy of the group is to focus on the core business, carry out investments in line with the business strategy, business expansion and long-term development, in order to increase operating revenue and profits. To conduct investment evaluation on the location, organization, shareholding ratio, financial condition and other aspects of the reinvestment in another enterprise as the basis for the reinvestment of the management; The group also regularly evaluates the investment profit and loss status of the invested enterprises. In addition, the Company has enacted "Supervisory Measures for Subsidiaries" to supervise the operation status of the subsidiary company and set up an operation management mechanism in order to maximize the synergy of the Group.

The Company adopted the equity method to recognize the investment gains of NT\$824,295 thousand in the year 2020. Please refer to the "Parent Company Only Financial Statements of

the Most Recent Year with Independent Auditors' Report and Notes" in "Chapter VI Financial Conditions" for the recognition of profit and loss.

The investment plan for the coming year will be evaluated separately according to the overall industrial situation and the Company's business needs.

VI Risk matters and Assessment

(I) The 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. The Effect upon the Company's Profits (Losses) of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate

The Group mostly uses its own funds to support its operation needs, thus has low demand for bank loans. Any loans it made is based on the consideration of the risk hedging of exchange rate with modest amount, and the borrowing cost increase from rising interest rate will not have greatly impact on the Group.

The Group's purchases and sales are mainly in US dollars, thus some exchange risks have been automatically avoided. In view of the impact of dollar exchange rate fluctuations on the Company's profits and losses, forward foreign exchange contracts and dollar loans are mainly adopted, so as to lower the risk of exchange rate fluctuations.

There was no material impact on the Group's annual profit or loss due to inflation.

2. Response Measures to be Taken in the Future for the Effect of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate

In the future, the Group will continue to collect information on exchange rate fluctuations and pay attention to the global trend of favorable exchange rate, timely adjust foreign currency positions to reduce the impact of exchange rate fluctuations, and choose low-cost foreign exchange hedging instruments to avoid exchange rate risks according to the relevant regulations of the Company.

(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.

1. The Group is not engaged in high-risk and highly leveraged financial investments.

2. The Group has formulated "Operational Procedures for Loaning Funds to Others", "Operational Procedures for Endorsements/Guarantees" and "Handling Procedure to engage in the Transaction of Derivative Products", and the relevant operations are conducted in accordance with the above procedures.

3. The Company is engaged in the transaction of derivative commodities, mainly for the purpose of risk hedging, or engaged in the financial commodities related to the Company's business operations, to ensure the Company's operating profit.

(III) Research and Development Work to be Carried out in the Future, and Further Expenditures Expected for Research and Development Work

Please refer to the description of "Chapter V Operations Overview - New Products (Services) Planned for Development" in this annual report for the research and development plan for this year. The R&D manpower and expenditure that the Group continues to invest in the coming year are estimated to account for approximately 10%~15% of the net revenue. The group will carefully assess the market risks and expected investment returns before investing in various R&D expenses.

(IV) Effect on the Company's Financial Operations of Important Policies Adopted and Changes in the Legal Environment at Home and Abroad, and Measures to be Taken in Response

There is no material impact on the Company's financial operations from important policies adopted and changes in the legal environment at home and abroad. In the

future, the Company will obtain relevant information from time to time and develop necessary countermeasures to meet the Company's operational needs.

- (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 IC industry is changing rapidly, as well as the technology advancing, which will affect the members of the industry to a certain extent. If the Company fails to timely adjust its strategy or launch competitive products in line with technology changes or industry changes, it may have a negative impact on the Company's financial business. In order to avoid adverse effects caused by changes in industry and technology, the Group always pays attention to and evaluates the possible impact of those changes, and proposes effective response strategies and develops products that meet market demand, so that the Group is able to timely launch competitive products, maintain and improve the Company's competitive strategy.

- (VI) Effect on the Company's Crisis Management of Changes in the Company's Corporate Image, and Measures to be Taken in Response

The Company is currently a public company with good reputation and business performance, and will continue to improve the product quality and service to maintain a good corporate image in the future, thus there is no effect on the Company's crisis management.

- (VII) Expected Benefits and Possible Risks Associated with Any Merger and Acquisitions, and Mitigation Measures being or to be Taken

The Group has no plans for mergers or acquisitions.

- (VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Mitigation Measures being or to be Taken

The Group is an IC design company, with all manufacturing outsourced, thus it is not applicable.

- (IX) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Mitigation Measures being or to be Taken

For a professional IC design company without wafer manufacturing plant, it is necessary to consider the capacity, equipment, quality yield, process technology and confidentiality to select a suitable foundry. Therefore, the consolidation of purchasing is the characteristics of domestic IC design industry. The Company has distributed the source of purchase to TSMC, UMC and Magnachip, and maintained a long-term stable cooperative relationship with the packaging and testing manufacturers to eliminate the risk of consolidation of purchasing.

In terms of sales, the Group's products are widely applied in multiple aspects, with two modes of sales counterparty: agents and manufacturers. The Group distinguishes different agents according to sales area and sales conditions, has dedicated application engineers to directly contact the end customers and provide technical services for the products sold through agents. Therefore, there is no risk of consolidation of sales based on calculation for end-customers.

- (X) Effect upon and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director, Supervisor, or Shareholder Holding Greater than a 10 Percent Stake in the Company has been Transferred or has otherwise Changed Hands, and Mitigation Measures being or to be Taken: None.

- (XI) Effect upon and Risk to Company Associated with Any Change in Governance Personnel or Top Management, and Mitigation Measures being or to be Taken: None.

(XII) Litigious and Non-Litigious Matters. List Major Litigious, Non-Litigious or Administrative Disputes That Involve the Company and/or Any Company Director, Any Company Supervisor, the General Manager, Any Person with Actual Responsibility for the Firm, Any Major Shareholder Holding a Stake of Greater than 10 Percent, and/or Any Company or Companies Controlled by the Company; and Have

Been Concluded by Means of a Final and Unappealable Judgment, or are still under Litigation. Where Such a Dispute Could Materially Affect Shareholders' Equity or the Prices of the Company's Securities, the Annual Report Shall Disclose the Facts of the Dispute, Amount of Money at Stake in the Dispute, the Date of Litigation Commencement, the Main Parties to the Dispute, and the Status of the Dispute as of the Date of Publication of the Annual Report.

As of the date of publication of the annual report, the Company did not incur any such matters.

(XIII) Other Important Risks, and Mitigation Measures being or to be Taken

Based on the requirements of risk control, the Company adopts a complete set of control measures for information security, including policies, organizations, processes, software and hardware tools to meet the management requirements, and by planning, operation, supervision and continuous improvement measures, ensures that the Company is protected from improper threats, so as to reduce management risk.

The information security strategy of the Company is as follows:

1. Strengthen protection: Use new protection technologies to cope with the constantly changing information application environment, and build up the awareness of colleagues on information security, so as to construct a comprehensive information security protection network.
2. Risk-oriented: Identify environmental management intensity and potential impacts to determine the investment of information security management resources based on the overall objectives of the Company's operations and considering the internal and external risk status.
3. Continuous improvement: Continuously review and improve the methods and practices of security management through external intelligence gathering and internal security incidents.

Based on the Company's information security management standards, in accordance with the internal and external regulatory and audit requirements, the System Services Department takes charge to implement the company-wide information security work, and regularly reports the operation status to the operations director. Major duties:

1. Access control
 - 1.1 Coordinate with the Human Resources Department to synchronize the process of dimission of personnel with the change of job type and the access control of internal system, and check periodically to ensure the consistency of the actual operations and access management.
 - 1.2 Remote access operations are regulated via VPN and RDP protocol to ensure access capability and a regulated operating environment.
 - 1.3 Manage and control external or temporary accounts.
2. Endpoint protection:
 - 2.1 Provide the first layer of protection against external network attacks through network operators, and deploy necessary protection tools such as UTM, Firewall and Anti-SPAM on the physical and application layers of external network.
 - 2.2 Establish regional protection for Intranet by hierarchy and by partition, and deploy protection software for the host and personal client.
3. Accident supervision
 - 3.1 Detect information security issues and identify the true cause of security incidents based on the log file and monitoring function of hardware and software tools, and the third party security service.
 - 3.2 Regularly review important issues and continuously enhance the information security management ability.
4. Data preservation

- 4.1 Develop sound data backup and archiving policies, and use storage technologies and cloud services to ensure that all levels of data can properly generate data snapshot, can be backed up, remotely replicated and archived by a third-party, improve data protection and establish the basic capacity for disaster recovery.
- 4.2 A fully isolated virtual work environment is used for highly confidential information, coupled with DLP tools to ensure that confidential information does not leak out.

VII Other Important Matters: None.

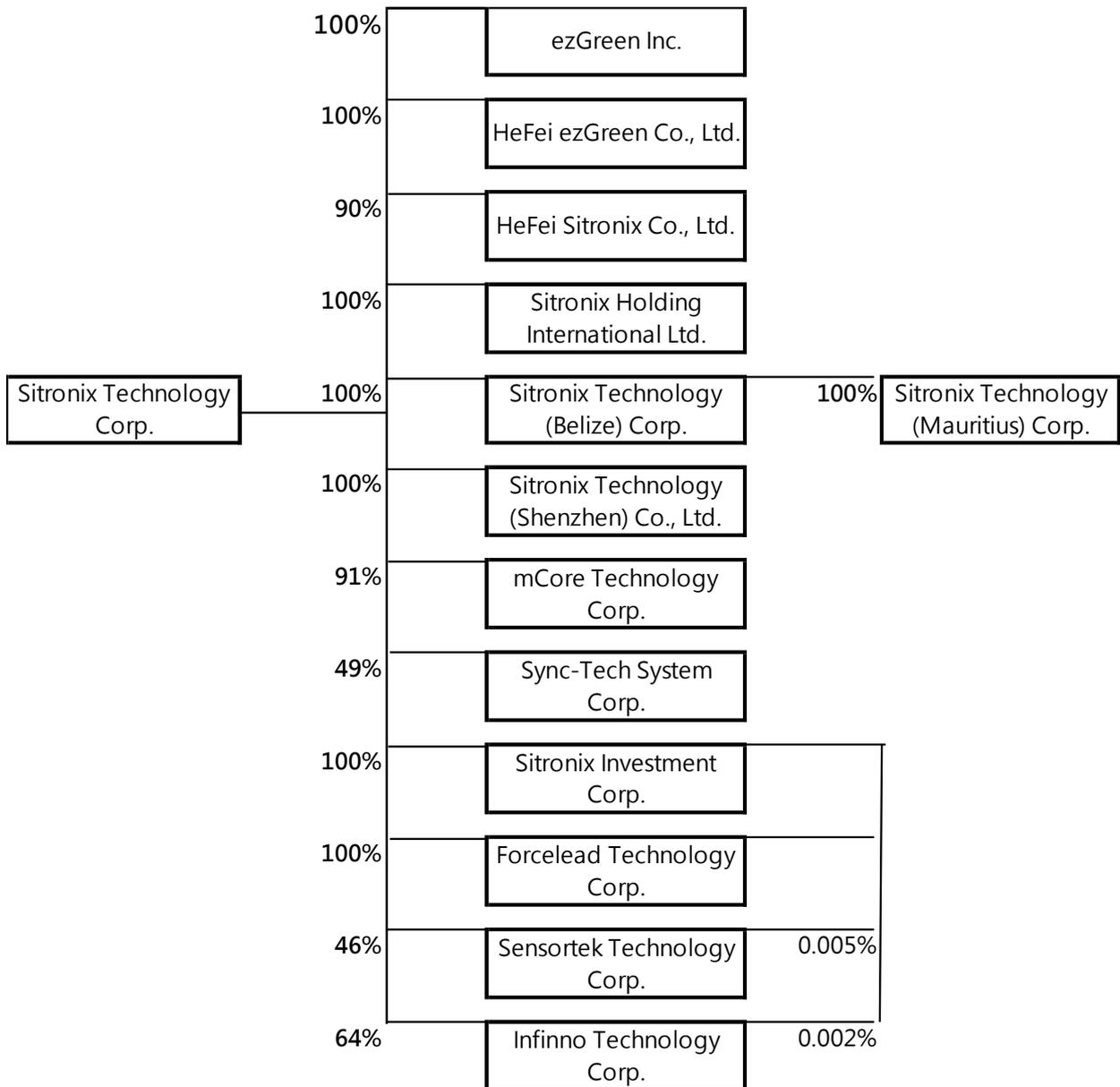
Chapter 8 Special Notes

I Affiliates Information

(I) Consolidated Business Reports Covering Affiliated Enterprises

1. Overview of Affiliated Enterprises

(1) Organizational Chart of the Affiliates (December 31, 2020)



(2) Basic Information of Affiliates

| Name of Affiliates | Date of Establishment | Place of Registration | Paid-in Capital (thousand dollar) | Main Business Items |
|--|-----------------------|--------------------------|-----------------------------------|---|
| Sitronix Technology (Belize) Corp. | 2003.06.27 | Belize | -(Note) | International trade |
| Sitronix Technology (Mauritius) Corp. | 2003.07.11 | Mauritius | -(Note) | International trade |
| mCore Technology Corp. | 2009.12.03 | Hsinchu, Taiwan | NT\$105,627 | Provide a complete integrated solution with software and hardware for system chips for electronic payment applications and digital signal processors for digital music applications |
| Infinno Technology Corp. | 2009.12.02 | Hsinchu, Taiwan | NT\$207,690 | Design of professional power management solutions integrated circuit |
| Sensortek Technology Corp. | 2009.12.01 | Hsinchu, Taiwan | NT\$489,126 | R&D, design and sales of sensor integrated circuit products |
| Forcelead Technology Corp. | 2009.12.11 | Hsinchu, Taiwan | NT\$393,365 | R&D and sales of small-size LCD driver chips and touch integrated driver chips |
| Sitronix Technology (Shenzhen) Co., Ltd. | 2003.11.24 | Shenzhen, Mainland China | US\$400 | R&D and sales of computer software, hardware and after-sales service business and provide related technical consulting services |
| Sitronix Investment Corp. | 2019.12.21 | Hsinchu, Taiwan | NT\$332,491 | General investment |
| Sync-Tech System Corp. | 2014.02.06 | Hsinchu, Taiwan | NT\$201,920 | Design, manufacture and maintenance of probe card |
| Sitronix Holding International Ltd. | 2017.12.05 | Samoa | US\$2,000 | General investment |
| HeFei Sitronix Co., Ltd. | 2018.03.22 | HeFei, Mainland China | RMB25,000 | R&D, design and sales of integrated circuit and system hardware and software, and technical services |
| HeFei ezGreen Co., Ltd. | 2018.03.22 | HeFei, Mainland China | RMB5,000 | R&D, design and sales of supplier management software, and technical services |
| ezGreen Inc. | 2019.01.17 | New Taipei City, Taiwan | NT\$60,000 | Information software services, electronic information supply services |

Note: Sitronix Technology (Belize) Corp. and Sitronix Technology (Mauritius) Corp. applied for liquidation and dissolution in 2020, and the capital stock and surplus have been repatriated.

(3) Where Companies Presumed to Have a Relationship of Control and Subordination under Article 369-3 of the Company Act: None.

(4) The Industries Covered by the Business Operated by the Affiliates Overall

| Name of Affiliates | Main Business Items |
|--|---|
| Sitronix Technology (Belize) Corp. | International trade |
| Sitronix Technology (Mauritius) Corp. | International trade |
| Sitronix Technology (Shenzhen) Co., Ltd. | R&D and sales of computer software, hardware and after-sales service business and provide related technical consulting services |
| mCore Technology Corp. | Provide a complete integrated solution with software and hardware for system chips for electronic payment applications and digital signal processors for digital music applications |
| Infinno Technology Corp. | Design of professional power management solutions integrated circuit |
| Sensortek Technology Corp. | R&D, design and sales of sensor integrated circuit products |
| Forcelead Technology Corp. | R&D and sales of small-size LCD driver chips and touch integrated driver chips |
| Sitronix Investment Corp. | General investment |
| Sync-Tech System Corp. | Design, manufacture and maintenance of probe card |
| Sitronix Holding International Ltd. | General investment |
| HeFei Sitronix Co., Ltd. | R&D, design and sales of integrated circuit and system hardware and software, and technical services |
| HeFei ezGreen Co., Ltd. | R&D, design and sales of supplier management software, and technical services |
| ezGreen Inc. | Information software services, electronic information supply services |

(5) The Names of the Directors, Supervisors or General Managers of Each Affiliates, and their Shareholding or Capital Contribution in Such Affiliate

December 31, 2020

| Name of Affiliates | Title | Name or Representative | Shareholding | |
|--|--|---|--------------------------------------|-----------------------|
| | | | Number of Shares (thousand share) | Shareholding Ratio |
| Sitronix Technology (Belize) Corp. | Director | Vincent Mao | - | - |
| Sitronix Technology (Mauritius) Corp. | Director | Vincent Mao | - | - |
| Sitronix Technology (Shenzhen) Co., Ltd. | Director | Sitronix Technology Corp. Representative: Chien-Lung Lee | Capital contribution - | 100% - |
| mCore Technology Corp. | Director | Sitronix Technology Corp. | 9,583 | 91% |
| | Director Chairman & General Manager | Representative: Vincent Mao | - | - |
| | Director | Representative: I-Hsi Cheng | - | - |
| | Supervisor | Representative: Wei Wang Shu-Fang Hsu | - | - |
| Infino Technology Corp. | Director | Sitronix Technology Corp. | 13,290 | 64% |
| | Chairman | Representative: Vincent Mao | - | - |
| | Director | Representative: Ju-Hung Chen | - | - |
| | Supervisor | Representative: Chun-Sheng Lin Shu-Fang Hsu | - | - |
| | Director | Compal Electronics, Inc. | 5,650 | 27% |
| | Director Supervisor | Representative: Tsung-Pin Weng Representative: Cheng-Chiang Wang Chiu-Jui Wei | 111 - - | 1% - - |
| Sensortek Technology Corp. | Director | Sitronix Technology Corp. | 22,530 | 46% |
| | Chairman | Representative: Vincent Mao | 327 | 1% |
| | Director & General Manager | Representative: Sheng-Su Lee Representative: Jhu-Yuan Yang | 174 79 | - - |
| | Director | Hua-Cheng Tseng | - | - |
| | Independent Director | Jen-Chi Lu | - | - |
| | Independent Director | Chun-I Hsu | - | - |
| | Independent Director | Shu-Chun Huang | - | - |
| Forcelead Technology Corp. | Chairman | Sitronix Technology Corp. | 39,337 | 100% |
| | Director & General Manager | Representative: Vincent Mao Representative: Cheng-Lung Chiang | - - | - - |
| | Director | Representative: Wei Wang | - | - |
| | Supervisor | Ju-Hung Chen | - | - |
| | Chairman | Sitronix Technology Corp. | - | - |
| Sitronix Investment Corp. | Director & General Manager | Representative: Vincent Mao Representative: Min-Hui Chang | - - | - - |
| | Director | Representative: Shu-Fang Hsu | - | - |
| | Supervisor | Representative: Ju-Hung Chen | - | - |
| | Chairman | Ju-Hung Chen | 474 | 2% |
| Sync-Tech System Corp. | Director | Sitronix Technology Corp. | 9,844 | 49% |
| | Director & General Manager | Representative: Vincent Mao | 100 | 1% |
| | Director | Representative: Tsung-Jun Li | 561 | 3% |
| | Supervisor | Representative: Meng-Huang Liu Shu-Fang Hsu | 30 - | - - |
| | Director | Vincent Mao | - | - |
| HeFei Sitronix Co., Ltd. | Director | Sitronix Technology Corp. | Capital contribution | 90% |
| | Director | Representative: Ju-Hung Chen | - | - |
| | Supervisor | Representative: Chien-Yuan Chao Representative: Te-Yun Chou Shenzhen Qianhai Zhisheng Investment Co., Ltd. | - - Capital contribution | - - 8% |
| | Director | Representative: Chang-Kai Wang | - | - |
| | Director | Sitronix Technology Corp. Representative: Ying-Lun Mao | Capital contribution | 100% |
| ezGreen Inc. | Director | Sitronix Technology Corp. Representative: Ying-Lun Mao | 6,000 | 100% |

2. Operations Overview of Affiliates

December 31, 2020

Unit: NT\$ thousand except earnings per share in NT\$

| Name of Affiliates (Note1) | Paid-in Capital | Total Assets | Total Liabilities | Net Worth | Operating Revenue | Operating Profit (Loss) | Net Income (Loss) | Earnings Per Share (after Tax) |
|---|--------------------|--------------|----------------------|-----------|----------------------|----------------------------|----------------------|--------------------------------------|
| Sitronix Technology (Belize) Corp. | — | — | — | — | — | (55) | 973 | — |
| Sitronix Technology (Mauritius) Corp. | — | — | — | — | — | (69) | 1,029 | — |
| Sitronix Technology (Shenzhen) Co., Ltd. | 15,916 | 74,424 | 55,115 | 19,309 | 105,256 | 1,770 | 1,526 | — |
| Sitronix Holding International Ltd. | 58,510 | 79,262 | — | 79,262 | — | (30) | 1,893 | 0.95 |
| mCore Technology Corp. | 105,627 | 192,144 | 61,162 | 130,982 | 206,120 | 23,214 | 24,138 | 2.29 |
| Infinno Technology Corp. | 207,690 | 149,300 | 101,447 | 47,853 | 181,068 | (18,703) | (15,372) | (0.74) |
| Sensortek Technology Corp. | 489,126 | 6,213,228 | 1,665,215 | 4,548,013 | 5,296,054 | 1,537,189 | 1,365,454 | 28.81 |
| Forcelead Technology Corp. | 393,365 | 926,439 | 325,809 | 600,630 | 915,918 | 142,949 | 123,269 | 3.13 |
| Sitronix Investment Corp. | 332,491 | 271,680 | 4,929 | 266,751 | — | (3,992) | (7,362) | (0.22) |
| Sync-Tech System Corp. | 201,920 | 508,504 | 210,404 | 298,100 | 477,784 | 128,297 | 103,904 | 5.15 |
| HeFei Sitronix Co., Ltd. | 114,990 | 233,135 | 42,072 | 191,063 | 165,471 | 30,059 | 39,558 | — |
| HeFei ezGreen Co., Ltd. | 22,308 | 14,532 | 1,270 | 13,262 | 1,010 | (5,292) | (5,203) | — |
| ezGreen Inc. | 60,000 | 28,884 | 4,590 | 24,294 | 1,865 | (22,215) | (22,176) | (3.70) |

Note 1: If an affiliate is a foreign company, the related number of assets, liabilities and profit and loss are shown in NT dollars exchanged at the exchange rate on the reporting date.

(II) Consolidated Financial Statements Covering Affiliated Enterprises

Please refer to "IV Consolidated Financial Statements of the Most Recent Year with Independent Auditors' Report and Notes" in "Chapter VI Financial Conditions" for the consolidated financial statements of the affiliated enterprises and refer to the Declaration in the subsequent page.

(III) Affiliation Reports

Not applicable.

II Any Private Placement of Securities Carried out by the Company 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:

Unit: NT\$ thousand

| Subsidiary name | Paid-in Capital | Source of Capital | Shareholding Ratio of the Company | Date of Acquisition or Disposal | Number of Shares and Amount Acquired (Note 1) | Number of Shares and Amount Disposed of (Note 2) | Returns on Investment (Note 3) | Number of Shares Held and Amount up to the Date of Publication of the Annual Report (Note 3) | Pledge | The Company's Endorsements/Guarantees to Subsidiary | The Company's Loaning of Funds to Subsidiary |
|----------------------------|-----------------|-------------------|-----------------------------------|---------------------------------|---|--|--------------------------------|--|--------|---|--|
| Sensortek Technology Corp. | 489,126 | Private Capital | 46.06% | 11/9/2020 | Number of shares 30,000 shares Amount 4,035 | - | 2,595 | Number of shares 30,000 shares Amount 6,630 | - | - | - |
| | | | | 11/10/2020 | Number of shares 28,000 shares Amount 3,724 | - | 2,464 | Number of shares 28,000 shares Amount 6,188 | - | - | - |
| | | | | 12/8/2020 | Number of shares 55,000 shares Amount 7,843 | - | 4,312 | Number of shares 55,000 shares Amount 12,155 | - | - | - |
| | | | | 12/16/2020 | Number of shares 25,000 shares Amount 3,675 | - | 1,850 | Number of shares 25,000 shares Amount 5,525 | - | - | - |
| | | | | 4/9/2021 | Number of shares 18,000 shares Amount 4,560 | - | -582 | Number of shares 18,000 shares Amount 3,978 | - | - | - |
| | | | | 4/12/2021 | Number of shares 14,000 shares Amount 3,344 | - | -250 | Number of shares 14,000 shares Amount 3,094 | - | - | - |
| | | | | 5/10/2021 | Number of shares 26,000 shares Amount 7,010 | - | -1,264 | Number of shares 26,000 shares Amount 5,746 | - | - | - |
| | | | | 5/12/2021 | Number of shares 5,000 shares Amount 1,125 | - | -20 | Number of shares 5,000 shares Amount 1,105 | - | - | - |

| Subsidiary name | Paid-in Capital | Source of Capital | Shareholding Ratio of the Company | Date of Acquisition or Disposal | Number of Shares and Amount Acquired (Note 1) | Number of Shares and Amount Disposed of (Note 2) | Returns on Investment (Note 3) | Number of Shares Held and Amount up to the Date of Publication of the Annual Report (Note 3) | Pledge | The Company's Endorsements/Guarantees to Subsidiary | The Company's Loaning of Funds to Subsidiary |
|-----------------|-----------------|-------------------|-----------------------------------|--|---|--|--------------------------------|--|--------|---|--|
| | | | | The current fiscal year up to the date of publication of the annual report | Number of shares 201,000 shares Amount 35,316 | - | 9,105 | Number of shares 201,000 shares Amount 44,421 | - | - | - |

Note 1: "Amount" refers to the amount actually acquired or disposed of.

Note 2: The shareholding and disposing of shall be presented separately.

Note 3: Returns on investment refer to unrealized gains and losses as evaluated in accordance with IFRS9.

IV Other Matters that Require Additional Description: None.

V Matters that Materially Affect Shareholders' Equity or the Price of the Company's Securities Specified in Article 36, Paragraph 3, Item 2 of Securities and Exchange Act, Occurred during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of affiliates of Sitronix Technology Corporation for the year ended December 31, 2020 under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are all the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. In addition, the relevant information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Sitronix Technology Corporation

By

Vincent Mao
Chairman

March 18, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Sitronix Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Sitronix Technology Corporation and its subsidiaries (the "Group"), which comprise the balance sheets as of December 31, 2020 and 2019, the related 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 (collectively referred to as the "consolidated financial statements").

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.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2020 is described as follows:

Recognition of sales revenue

The Group's main source of revenue comes from the sale of goods. For the year ended December 31, 2020, the revenue recognized was NT\$13,804,562 thousand, please refer to Notes 4, 22 and 38 for information on the accounting policies of revenue recognition. Such revenue is recognized when the goods are transferred to the customer and the performance obligations are met. The revenue recognition process is that after receiving

customers' order and checking the transaction conditions, the business unit creates a manufacturing notice in the system, and enters into the production schedule after obtaining the approval from the supervisor. As soon as the production is completed, the production unit would issue packing lists and invoices from the system, the Group would obtain signed packing list or the bill of lading on sight from the shipping companies when those shipping companies pick up the goods, then the system would check the shipping-related information, to generate the sales details. The accounting officers would recognize sales revenue according to the sales details.

We have assessed that the customers of the Group whose revenue had changed significantly for 2020 to be subject to the risk of validity of revenue recognition. Therefore, in order to confirm the validity of the Group's revenue recognition, we performed the following audit procedures on the sales transactions of these customers:

1. We understood the internal controls over revenue recognition, evaluated the design of the key controls, determined whether the controls have been implemented and tested the operating effectiveness of the controls.
2. We sampled and inspected the validity of the background information of customers that had significant changes in the annual sales revenue growth rate and understood the reasonableness of such customers' credit terms.
3. We sampled and inspected whether an original purchase order existed for each sale and whether it had been appropriately approved.
4. We inspected product names and quantities on notifications of manufacturing, invoices and goods receipt and inspected the amounts to ensure they were consistent.
5. We inspected the reasonableness of collection of accounts receivable and whether the collection amounts and counterparties were consistent with the revenue recognized.

Other Matter

We have also audited the parent company only financial statements of Sitronix Technology Corporation as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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 Yu-Feng Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 18, 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.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

| ASSETS | 2020 | | 2019 | | LIABILITIES AND EQUITY | 2020 | | 2019 | |
|---|----------------------|------------|----------------------|------------|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % | | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | CURRENT LIABILITIES | | | | |
| Cash and cash equivalents (Notes 4, 6 and 30) | \$ 5,586,541 | 41 | \$ 2,932,647 | 27 | Short-term borrowings (Notes 4, 18, 28 and 30) | \$ 267,776 | 2 | \$ 278,814 | 3 |
| Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30) | 630,694 | 5 | 130,727 | 1 | Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 30) | 4,390 | - | 178 | - |
| Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 30) | 606,903 | 4 | 323,364 | 3 | Trade payables (Note 30) | 1,893,923 | 14 | 2,085,145 | 19 |
| Financial assets at amortized cost - current (Notes 4, 9, 30 and 32) | 1,530,290 | 11 | 1,686,524 | 16 | Accrued profit sharing bonus to employees' compensation and remuneration of directors (Note 23) | 338,113 | 2 | 293,193 | 3 |
| Notes receivable and trade receivables (Notes 4, 10, 22 and 30) | 1,377,691 | 10 | 1,398,378 | 13 | Other payables (Notes 19 and 30) | 1,132,495 | 8 | 805,665 | 8 |
| Notes receivable and trade receivables from related parties (Notes 4, 30 and 31) | 872 | - | 454 | - | Other payables to related parties (Notes 30 and 31) | 1,051 | - | 98 | - |
| Other receivables (Notes 4, 10 and 30) | 73,643 | 1 | 64,911 | - | Current tax liabilities (Notes 4 and 24) | 426,345 | 3 | 317,778 | 3 |
| Inventories (Notes 4, 5 and 11) | 1,543,734 | 11 | 1,909,664 | 18 | Lease liabilities - current (Notes 4, 14 and 28) | 29,899 | - | 33,831 | - |
| Prepayments (Note 17) | 174,507 | 1 | 173,801 | 2 | Other current liabilities (Notes 19, 22 and 30) | 101,630 | 1 | 31,134 | - |
| Other current assets (Notes 4, 17 and 30) | 19,862 | - | 5,698 | - | | | | | |
| Total current assets | 11,544,737 | 84 | 8,626,168 | 80 | Total current liabilities | 4,195,622 | 30 | 3,845,836 | 36 |
| NON-CURRENT ASSETS | | | | | NON-CURRENT LIABILITIES | | | | |
| Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 30) | 7,036 | - | 52,339 | - | Deferred tax liabilities (Notes 4 and 24) | 6,850 | - | 5,136 | - |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 30) | 718,693 | 5 | 731,534 | 7 | Lease liabilities - non-current (Notes 4, 14 and 28) | 52,274 | 1 | 31,431 | - |
| Financial assets at amortized cost - non-current (Notes 4, 9 and 30) | 58,534 | - | 30,542 | - | Net defined benefit liabilities - non-current (Notes 4 and 20) | 44,877 | - | 46,646 | 1 |
| Property, plant and equipment (Notes 4 and 13) | 1,022,534 | 7 | 854,126 | 8 | Other non-current liabilities (Notes 28 and 31) | 237,460 | 2 | 226,163 | 2 |
| Right-of-use assets (Notes 4 and 14) | 82,998 | 1 | 68,496 | 1 | | | | | |
| Investment properties (Notes 4 and 15) | 246,339 | 2 | 301,625 | 3 | Total non-current liabilities | 341,461 | 3 | 309,376 | 3 |
| Intangible assets (Notes 4 and 16) | 43,766 | - | 37,986 | - | | | | | |
| Deferred tax assets - non-current (Notes 4 and 24) | 15,214 | - | - | - | Total liabilities | 4,537,083 | 33 | 4,155,212 | 39 |
| Other non-current assets (Notes 4, 17 and 30) | 76,309 | 1 | 58,088 | 1 | EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 4, 21, 26 and 27) | | | | |
| Total non-current assets | 2,271,423 | 16 | 2,134,736 | 20 | Share capital | | | | |
| | | | | | Ordinary shares | 1,201,369 | 8 | 1,201,369 | 11 |
| | | | | | Capital surplus | 1,662,839 | 12 | 772,321 | 7 |
| | | | | | Retained earnings | | | | |
| | | | | | Legal reserve | 1,082,588 | 8 | 959,529 | 9 |
| | | | | | Special reserve | 77,526 | 1 | 251,947 | 2 |
| | | | | | Unappropriated earnings | 2,805,919 | 20 | 2,358,260 | 22 |
| | | | | | Total retained earnings | 3,966,033 | 29 | 3,569,736 | 33 |
| | | | | | Other equity | | | | |
| | | | | | Exchange differences on translating the financial statements of foreign operations | (10,444) | - | (9,688) | - |
| | | | | | Unrealized gain (loss) on financial assets at fair value through other comprehensive income | (169,780) | (1) | (67,838) | - |
| | | | | | Total other equity | (180,224) | (1) | (77,526) | - |
| | | | | | Treasury shares | (8,879) | - | - | - |
| | | | | | Total equity attributable to owners of the Company | 6,641,138 | 48 | 5,465,900 | 51 |
| | | | | | NON-CONTROLLING INTERESTS (Notes 12, 21 and 27) | 2,637,939 | 19 | 1,139,792 | 10 |
| | | | | | Total equity | 9,279,077 | 67 | 6,605,692 | 61 |
| TOTAL | \$ 13,816,160 | 100 | \$ 10,760,904 | 100 | TOTAL | \$ 13,816,160 | 100 | \$ 10,760,904 | 100 |

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

SITRONIX TECHNOLOGY CORPORATION 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)

| | 2020 | | 2019 | |
|--|------------------|-----------|------------------|-----------|
| | Amount | % | Amount | % |
| NET REVENUE (Notes 4, 22 and 31) | \$ 13,804,562 | 100 | \$ 13,802,738 | 100 |
| OPERATING COSTS (Notes 4, 11 and 23) | <u>9,018,737</u> | <u>66</u> | <u>9,417,393</u> | <u>68</u> |
| GROSS PROFIT | <u>4,785,825</u> | <u>34</u> | <u>4,385,345</u> | <u>32</u> |
| OPERATING EXPENSES (Notes 4, 10, 23 and 31) | | | | |
| Selling and marketing expenses | 257,452 | 2 | 235,678 | 2 |
| General and administrative expenses | 560,635 | 4 | 483,216 | 3 |
| Research and development expenses | 1,677,211 | 12 | 1,587,676 | 12 |
| Expected credit loss | <u>3</u> | <u>-</u> | <u>2,012</u> | <u>-</u> |
| Total operating expenses | <u>2,495,301</u> | <u>18</u> | <u>2,308,582</u> | <u>17</u> |
| OTHER OPERATING INCOME AND EXPENSES | <u>92,524</u> | <u>1</u> | <u>9,663</u> | <u>-</u> |
| INCOME FROM OPERATIONS | <u>2,383,048</u> | <u>17</u> | <u>2,086,426</u> | <u>15</u> |
| NON-OPERATING INCOME AND EXPENSES (Notes 4, 23 and 31) | | | | |
| Interest income | 43,698 | - | 36,828 | - |
| Other income | 51,550 | - | 65,447 | 1 |
| Other gains and losses | 52,424 | 1 | 25,540 | - |
| Finance costs | <u>(7,094)</u> | <u>-</u> | <u>(10,819)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>140,578</u> | <u>1</u> | <u>116,996</u> | <u>1</u> |
| INCOME BEFORE INCOME TAX | 2,523,626 | 18 | 2,203,422 | 16 |
| INCOME TAX EXPENSE (Notes 4 and 24) | <u>359,513</u> | <u>2</u> | <u>265,265</u> | <u>2</u> |
| NET INCOME FOR THE YEAR | <u>2,164,113</u> | <u>16</u> | <u>1,938,157</u> | <u>14</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 20 and 21) | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | |
| Remeasurement of defined benefit plans | (2,836) | - | 2,208 | - |
| Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income | (193,447) | (2) | 201,676 | 1 |

(Continued)

SITRONIX TECHNOLOGY CORPORATION 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)

| | 2020 | | 2019 | |
|---|---------------------|------------|---------------------|-----------|
| | Amount | % | Amount | % |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences on translation of the financial statements of foreign operations | \$ (443) | - | \$ (9,397) | - |
| Unrealized gain on investments in debt instruments at fair value through other comprehensive income | <u>1,839</u> | <u>-</u> | <u>122</u> | <u>-</u> |
| Other comprehensive (loss) income for the year, net of income tax | <u>(194,887)</u> | <u>(2)</u> | <u>194,609</u> | <u>1</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 1,969,226</u> | <u>14</u> | <u>\$ 2,132,766</u> | <u>15</u> |
| NET INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ 1,384,818 | 10 | \$ 1,230,588 | 9 |
| Non-controlling interests | <u>779,295</u> | <u>6</u> | <u>707,569</u> | <u>5</u> |
| | <u>\$ 2,164,113</u> | <u>16</u> | <u>\$ 1,938,157</u> | <u>14</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ 1,190,501 | 8 | \$ 1,425,752 | 10 |
| Non-controlling interests | <u>778,725</u> | <u>6</u> | <u>707,014</u> | <u>5</u> |
| | <u>\$ 1,969,226</u> | <u>14</u> | <u>\$ 2,132,766</u> | <u>15</u> |
| EARNINGS PER SHARE (Note 25) | | | | |
| Basic | <u>\$ 11.53</u> | | <u>\$ 10.27</u> | |
| Diluted | <u>\$ 11.44</u> | | <u>\$ 10.17</u> | |

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

(Concluded)

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

| | Equity Attributable to Shareholders of the Company (Notes 4, 21 and 26) | | | | | | | | | | | | |
|---|---|--------------|-----------------|-------------------|-----------------|-------------------------|--|---|------------------------------------|----------------|--------------|---|--------------|
| | Share Capital | | Capital Surplus | Retained Earnings | | | Other Equity | | | Treasury Share | Total | Non-controlling Interests (Notes 12, 21 and 27) | Total Equity |
| | Number of Shares (In Thousands) | Amount | | Legal Reserve | Special reserve | Unappropriated Earnings | Exchange Differences on Translating the Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Unearned Compensation of Employees | | | | |
| BALANCE AT JANUARY 1, 2019 | 120,223 | \$ 1,202,226 | \$ 761,304 | \$ 875,493 | \$ 26,644 | \$ 2,124,198 | \$ (846) | \$ (251,101) | \$ (25,652) | \$ - | \$ 4,712,266 | \$ 493,406 | \$ 5,205,672 |
| Appropriation of 2018 earnings | | | | | | | | | | | | | |
| Legal reserve | - | - | - | 84,036 | - | (84,036) | - | - | - | - | - | - | - |
| Special reserve | - | - | - | - | 225,303 | (225,303) | - | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | (601,113) | - | - | - | - | (601,113) | - | (601,113) |
| Other changes in capital surplus | | | | | | | | | | | | | |
| Actual acquisition or disposal of interests in subsidiaries | - | - | (2,041) | - | - | (106,817) | - | - | - | - | (108,858) | - | (108,858) |
| Changes in percentage of ownership interests in subsidiaries | - | - | 21,071 | - | - | - | - | - | - | - | 21,071 | (13,705) | 7,366 |
| Compensation costs of restricted shares for employees | - | - | - | - | - | - | - | - | 16,782 | - | 16,782 | - | 16,782 |
| Restricted employee rights, new shares are not vested | (86) | (857) | (8,013) | - | - | - | - | - | 8,870 | - | - | - | - |
| Disposal of equity instruments at fair value through other comprehensive income | - | - | - | - | - | 18,535 | - | (18,535) | - | - | - | - | - |
| Net income for the year ended December 31, 2019 | - | - | - | - | - | 1,230,588 | - | - | - | - | 1,230,588 | 707,569 | 1,938,157 |
| Other comprehensive income (loss) for year ended December 31, 2019, net of income tax | - | - | - | - | - | 2,208 | (8,842) | 201,798 | - | - | 195,164 | (555) | 194,609 |
| Total comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | - | 1,232,796 | (8,842) | 201,798 | - | - | 1,425,752 | 707,014 | 2,132,766 |
| Increase in non- controlling interests | - | - | - | - | - | - | - | - | - | - | - | 32,542 | 32,542 |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | (79,465) | (79,465) |
| BALANCE AT DECEMBER 31, 2019 | 120,137 | 1,201,369 | 772,321 | 959,529 | 251,947 | 2,358,260 | (9,688) | (67,838) | - | (8,879) | 5,465,900 | 1,139,792 | 6,605,692 |
| Appropriation of 2019 earnings | | | | | | | | | | | | | |
| Legal reserve | - | - | - | 123,059 | - | (123,059) | - | - | - | - | - | - | - |
| Special reserve | - | - | - | - | (174,421) | 174,421 | - | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | (780,890) | - | - | - | - | (780,890) | - | (780,890) |
| The Company's shares held by its subsidiary treated as treasury shares | - | - | - | - | - | - | - | - | - | (8,879) | (8,879) | (10,398) | (19,277) |
| Other changes in capital surplus | | | | | | | | | | | | | |
| Actual acquisition or disposal of interests in subsidiaries | - | - | - | - | - | (116,012) | - | - | - | - | (116,012) | - | (116,012) |
| Changes in percentage of ownership interests in subsidiaries | - | - | 890,518 | - | - | - | - | - | - | - | 890,518 | (890,518) | - |
| Disposal of equity instruments at fair value through other comprehensive income | - | - | - | - | - | (88,783) | - | 88,783 | - | - | - | - | - |
| Net income for the year ended December 31, 2020 | - | - | - | - | - | 1,384,818 | - | - | - | - | 1,384,818 | 779,295 | 2,164,113 |
| Other comprehensive income (loss) for year ended December 31, 2020, net of income tax | - | - | - | - | - | (2,836) | (756) | (190,725) | - | - | (194,317) | (570) | (194,887) |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | - | 1,381,982 | (756) | (190,725) | - | - | 1,190,501 | 778,725 | 1,969,226 |
| Increase in non- controlling interests | - | - | - | - | - | - | - | - | - | - | - | 2,090,853 | 2,090,853 |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | (470,515) | (470,515) |
| BALANCE AT DECEMBER 31, 2020 | 120,137 | \$ 1,201,369 | \$ 1,662,839 | \$ 1,082,588 | \$ 77,526 | \$ 2,805,919 | \$ (10,444) | \$ (169,780) | \$ - | \$ (8,879) | \$ 6,641,138 | \$ 2,637,939 | \$ 9,279,077 |

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

SITRONIX TECHNOLOGY CORPORATION 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 | | |
| Income before income tax | \$ 2,523,626 | \$ 2,203,422 |
| Adjustments for: | | |
| Depreciation expense | 292,127 | 256,117 |
| Amortization expense | 32,815 | 31,894 |
| Expected credit loss recognized on trade receivables | 3 | 2,012 |
| Net gain on fair value changes of financial assets designated as at fair value through profit or loss | (97,317) | (22,688) |
| Finance costs | 7,094 | 10,819 |
| Interest income | (43,698) | (36,828) |
| Dividend income | (6,937) | (14,389) |
| Compensation costs of share-based payments | 34,735 | 18,087 |
| Gain on disposal of property, plant and equipment | (29,019) | (9,663) |
| Gain on disposal of investment properties | (62,396) | - |
| Write-down of inventories | 65,255 | 70,271 |
| Unrealized net loss on foreign currency exchange | 33,084 | 4,590 |
| Changes in operating assets and liabilities | | |
| Notes receivable and trade receivables | 16,509 | (61,498) |
| Receivables from related parties | (418) | (415) |
| Other receivables | (5,280) | (6,752) |
| Inventories | 300,675 | 91,086 |
| Prepayments | (706) | (47,842) |
| Other current assets | (14,164) | 6,840 |
| Trade payables | (191,812) | 551,558 |
| Other payables | 303,064 | 290,669 |
| Other payables to related parties | 953 | 98 |
| Other current liabilities | 70,620 | (11,740) |
| Net defined benefit liabilities | (4,605) | (2,464) |
| Accrued profit sharing bonus to employees' compensation and remuneration of directors | 46,952 | 144,536 |
| Cash generated from operations | 3,271,160 | 3,467,720 |
| Interest received | 40,598 | 32,069 |
| Interest paid | (5,838) | (9,336) |
| Income tax paid | (264,446) | (85,872) |
| Net cash generated from operating activities | <u>3,041,474</u> | <u>3,404,581</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of financial assets at fair value through other comprehensive income | (603,621) | (89,949) |
| Disposal of financial assets at fair value through other comprehensive income | 171,113 | 88,293 |
| Purchase of financial assets measured at cost | (3,763,186) | (3,415,634) |
| Proceeds from the return of principal of financial assets at amortized cost | 3,887,995 | 2,111,401 |

(Continued)

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Acquisitions of financial assets at fair value through profit or loss | \$ (736,154) | \$ (55,796) |
| Disposal of financial assets at fair value through profit or loss | 383,019 | 115,135 |
| Increase in prepayments for investment | (60,000) | (30,000) |
| Acquisition of property, plant and equipment | (384,754) | (243,273) |
| Proceeds from disposal of property, plant and equipment | 30,765 | 15,002 |
| Increase in refundable deposits | - | (6,066) |
| Decrease in refundable deposits | 2,553 | - |
| Payment of intangible assets | (38,575) | (22,062) |
| Proceeds from disposal of investment properties | 113,710 | - |
| Increase in prepayments for equipment | - | (12,338) |
| Dividends received | <u>6,937</u> | <u>14,389</u> |
| Net cash used in investing activities | <u>(990,198)</u> | <u>(1,530,898)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 4,700,520 | 2,392,658 |
| Repayments of short-term borrowings | (4,716,174) | (2,586,807) |
| Proceeds from guarantee deposits received | 20,539 | 58,221 |
| Repayment of the principal portion of lease liabilities | (38,456) | (34,277) |
| Cash dividends distributed | (780,890) | (601,113) |
| Payments for buy back of treasury shares | (19,277) | - |
| Dividends paid to non-controlling interests | (470,515) | (79,465) |
| Net cash inflow on disposal of subsidiaries | 884,938 | 59,010 |
| Increase (decrease) in non-controlling interests | 1,032,503 | (191,075) |
| Employee compensation is issued in the form of stock that are not vested | <u>20,633</u> | <u>13,396</u> |
| Net cash generated from (used in) financing activities | <u>633,821</u> | <u>(969,452)</u> |
| EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | | |
| | <u>(31,203)</u> | <u>(31,813)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,653,894 | 872,418 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>2,932,647</u> | <u>2,060,229</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 5,586,541</u> | <u>\$ 2,932,647</u> |

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

(Concluded)

SITRONIX TECHNOLOGY CORPORATION 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

Sitronix Technology Corporation (the “Company”) was incorporated in Taipei City, Taiwan (ROC) in July 1992 and commenced operations in the same year. The principal place of business is located in Tai Yuen Hi-Tech Industrial Park, Hsinchu County. The Company operates principally as a designer, manufacturer and supplier of integrated circuits (ICs) and memory chips and focuses on display driver ICs (DDIs) for entry-level mobile phones, industrial displays and automotive systems.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since December 25, 2003.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on March 18, 2021.

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

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 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.

3) 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. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Group shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only 2020, retrospective application of the amendment has no impact on retained earnings as of January 1, 2020.

b. The IFRSs endorsed by the FSC for application starting from 2020

| New IFRSs | Effective Date Announced by 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 |

1) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

“Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

Hedging accounting

The amendments provide the following temporary exceptions to hedging relationships that are subject to the reform:

- a) The changes to the hedging relationship that are needed to reflect changes required by the reform are treated as a continuation of the existing hedging relationship, and do not result in the discontinuation of hedge accounting or the designation of a new hedging relationship.
- b) If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.
- c) After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- d) An entity should allocate the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and should designate the hedged benchmark rate separately.

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

| New IFRSs | 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.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e., the Group's share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e., the Group's share of the gain or loss is eliminated.

2) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

3) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 "Financial Instruments", were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

4) Amendments to IFRS 3 "Reference to the Conceptual Framework"

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 "Levies" to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

5) Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 "Inventories". Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of 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. The Group will restate its comparative information when it initially applies the aforementioned amendments.

6) Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

The Group will recognize the cumulative effect of the initial application of the amendments in the retained earnings at the date of the initial application.

7) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- the Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) the Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) the Group chose the accounting policy from options permitted by the standards;
- c) the accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) the accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) the accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

8) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting

estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the 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

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 which are measured at fair value, and net defined benefit liabilities 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 an 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 an 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; and
- 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; 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.

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). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. 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.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

See Note 12 and Tables 6 and 7 for the detailed information of subsidiaries (including the 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 and the entities in the Group (including subsidiaries and associates 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 (attributed to the owners of the Company and non-controlling interests as appropriate).

f. Inventories

Inventories consist of raw materials, work in progress, finished goods and merchandise, and are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. 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 standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

g. Property, plant, and equipment

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

Freehold land is not depreciated.

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 at the end of each reporting period, with the effects of any changes in 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. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Investment properties is transferred to property, plant and equipment at the carrying amount on the day when the supply for self-use begins.

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

i. 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 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) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

3) 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.

j. Impairment of property, plant and equipment, right-of-use assets, intangible assets and assets related to contract costs

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 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. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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 asset 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 asset, cash-generating unit or relevant assets of contract 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, cash-generating unit or relevant assets of contract in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

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

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) 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 fair value through profit or loss 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 settlement date basis.

a) Measurement category

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

i. Financial assets at FVTPL

Financial assets measured at FVTPL include financial assets mandatorily measured or designated as at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 31.

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, accounts receivable, other receivables measured at amortized cost, and time deposits with original maturities of over 3 months) 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.
- ii) Financial assets that are not credit-impaired on purchase or origination but have 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 short-term investments or time deposits with original maturities of three months or less, 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.

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; 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.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. 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 are recognized in profit and loss when the Group's right to receive the dividends is established, unless they clearly represent a recovery of part of the cost of the investment, in which case, they are included in OCI.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of 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 Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to 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 does not reduce the carrying amount of such a financial asset.

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.

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

2) Equity instruments

Debt and 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.

Repurchase of the Group'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 Group's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method.

i. Financial liabilities at FVTPL

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 30.

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.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including cross currency swaps and foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

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.

1) Sale of goods

Revenue from the sale of goods comes from sales of integrated circuits. Sales of integrated circuits are recognized as revenue when the goods are delivered to the customer's specific location 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.

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

2) Rendering of services

Service income is recognized when services are provided.

m. Leasing

At the inception of a contract, the Group assesses whether the contract is, or contain 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 the recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

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. 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. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that 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 future lease payments resulting from a change in the lease terms, 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.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by December 31, 2020, that results in the revised consideration for the lease. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

n. Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Government grants

Government grants are recognized only when it is reasonably certain that the Group will comply with the conditions attached to the government grant and that the grant will be received.

Government grants are recognized in profit or loss on a systematic basis during the period in which the related costs that are intended to be compensated are recognized as expenses by the Group. Specifically, government grants whose primary condition is that the Group should purchase, construct, or otherwise acquire non-current assets are recognized as a deduction of the book value of the non-current assets, and recognized in profit or loss over the useful lives of the related assets through a reduction of the depreciation or amortization expenses of the non-current assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

p. 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 an expense 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 and net interest on the net defined benefit liabilities are recognized as employee benefit expenses in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occur. 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 represent the actual deficit in the Group's defined benefit plan. 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.

q. Share-based payment arrangements

The fair value at the grant date of the restricted shares for employees 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 or other equity - unearned employee benefit. It is recognized as an expense in full at the grant date if vested immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and should be returned, they are recognized as payables. Dividends paid to employees on restricted shares that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings and capital surplus - restricted shares for employees.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the non-controlling interests, capital surplus - employee share options and capital surplus - restricted share options.

r. Taxation

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

1) Current tax

According to the Income Tax Act, an additional tax on unappropriated earnings is provided for as income tax 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 of assets and liabilities in a transaction that (other than in the acquisition of a subsidiary) 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, research and development expenditures and personnel training expenditures 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 and associates, 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 only recognized 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 year 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

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, estimates 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.

a. Write-down of inventories

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on

current market conditions and the historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|------------------|---------------------|---------------------|
| | 2020 | 2019 |
| Bank deposits | \$ 4,132,739 | \$ 2,183,919 |
| Cash on hand | 310 | 336 |
| Cash equivalents | <u>1,453,492</u> | <u>748,392</u> |
| | <u>\$ 5,586,541</u> | <u>\$ 2,932,647</u> |

The market rate intervals of bank deposits and cash equivalents at the end of the reporting period were as follows:

| | <u>December 31</u> | |
|------------------|--------------------|--------------|
| | 2020 | 2019 |
| Bank deposits | 0.001%-1.035% | 0.001%-2.27% |
| Cash equivalents | 0.22%-0.60% | 0.51%-2.25% |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

| | <u>December 31</u> | |
|---|--------------------|-------------------|
| | 2020 | 2019 |
| <u>Financial assets at FVTPL - current</u> | | |
| Mandatorily measured at FVTPL | | |
| Derivative financial assets | | |
| Credit linked notes - linked with Convertible bonds | \$ 74,097 | \$ - |
| Foreign exchange forward contracts (a) | 24,483 | 2,308 |
| Non-derivative financial assets | | |
| Domestic mutual fund investments | 481,295 | 31,131 |
| Convertible bonds | 50,819 | 57,500 |
| Foreign listed shares | - | 31,513 |
| Domestic listed shares | <u>-</u> | <u>8,275</u> |
| | <u>\$ 630,694</u> | <u>\$ 130,727</u> |

Financial assets at FVTPL - non-current

| | | |
|---|-----------------|------------------|
| Mandatorily measured at FVTPL | | |
| Derivative financial assets | | |
| Credit linked notes - linked with Convertible bonds | \$ 7,036 | \$ 34,017 |
| Non-derivative financial assets | | |
| Convertible bonds | <u>-</u> | <u>18,322</u> |
| | <u>\$ 7,036</u> | <u>\$ 52,339</u> |

(Continued)

| | December 31 | |
|---|--------------------|-----------------------|
| | 2020 | 2019 |
| <u>Financial liabilities at FVTPL - current</u> | | |
| Derivative financial liabilities | | |
| Foreign exchange forward contracts (a) | \$ 4,390 | \$ 178 (Concluded) |

- a. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|---------------------------------|-----------------|-----------------------|---|
| <u>December 31, 2020</u> | | | |
| Sell forward exchange contracts | USD/NTD | 2021.01.08-2021.03.24 | US\$42,000/NT\$1,194,603 |
| Buy forward exchange contracts | NTD/USD | 2021.01.06-2021.03.22 | NT\$1,174,510/US\$42,000 |
| <u>December 31, 2019</u> | | | |
| Sell forward exchange contracts | USD/NTD | 2020.01.02-2020.03.31 | US\$10,000/NT\$301,616 |
| Buy forward exchange contracts | NTD/USD | 2020.01.31-2020.03.27 | NT\$239,526/US\$8,000 |

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | December 31 | |
|---|--------------------|-------------------|
| | 2020 | 2019 |
| <u>Current</u> | | |
| Investments in equity instruments at FVTOCI | \$ 592,527 | \$ 323,364 |
| Investments in debt instruments at FVTOCI | <u>14,376</u> | <u>-</u> |
| | <u>\$ 606,903</u> | <u>\$ 323,364</u> |
| <u>Non-current</u> | | |
| Investments in equity instruments at FVTOCI | \$ 553,404 | \$ 716,631 |
| Investments in debt instruments at FVTOCI | <u>165,289</u> | <u>14,903</u> |
| | <u>\$ 718,693</u> | <u>\$ 731,534</u> |

a. Investments in equity instruments at FVTOCI

| | <u>December 31</u> | |
|---|--------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Current</u> | | |
| Domestic investments | | |
| Listed shares (1) and (2) | \$ 555,680 | \$ 323,364 |
| Foreign investments | | |
| Listed shares (1) and (2) | <u>36,847</u> | <u>-</u> |
| | <u>\$ 592,527</u> | <u>\$ 323,364</u> |
| <u>Non-current</u> | | |
| Domestic investments | | |
| Unlisted equity investments (1) and (5) | \$ 37,485 | \$ - |
| Foreign investments | | |
| Unlisted equity investments (1) | <u>515,919</u> | <u>716,631</u> |
| | <u>\$ 553,404</u> | <u>\$ 716,631</u> |

- 1) These investments in equity instruments are not held for trading. Instead, they are held for 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 purposes.
- 2) In 2020 and 2019, the Group acquired the ordinary shares of domestic and foreign listed companies at NT\$435,892 thousand and NT\$89,949 thousand and the ordinary shares of foreign companies for strategic investment purposes. The management designated these investments as at FVTOCI.
- 3) In order to manage credit concentration risk, the Group sold its ordinary shares of domestic listed companies and ordinary shares of foreign unlisted companies in 2020 in the amounts of NT\$141,913 thousand and NT\$24,596 thousand, respectively; and transferred a loss of \$(88,783) thousand from other equity to retained earnings.
- 4) In 2019, the Group sold its ordinary shares of domestic listed companies and ordinary shares of foreign unlisted in order to manage credit concentration risk. The sold shares had a fair value of NT\$9,109 thousand and US\$1,584 thousand, respectively; and companies transferred a gain of \$18,535 thousand from other equity to retained earnings.
- 5) In February 2020, the Group purchased domestic unlisted equity investments at NT\$30,000 for strategic investment purposes. The management designated this investment as at FVTOCI, and prepayments for the investment were made in December 2019.
- 6) Dividends of \$6,810 thousand and \$13,858 thousand were recognized for the years ended December 31, 2020 and 2019, respectively. Those related to investments held at December 31, 2020 and 2019 were \$6,810 thousand and \$13,858 thousand, respectively.

b. Investments in debt instruments at FVTOCI

| | <u>December 31</u> | |
|-------------------------|--------------------|-------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Current</u> | | |
| Foreign corporate bonds | \$ 14,376 | \$ - |
| <u>Non-current</u> | | |
| Foreign corporate bonds | \$ 165,289 | \$ 14,903 |

In 2020, the Group purchased foreign corporate bonds for \$167,729 thousand with a coupon rate of 3.375%-5.65%.

In October 2020, the Group sold foreign corporate for US\$166 thousand.

In August 2019, the Group sold foreign corporate bonds for US\$966 thousand.

In September 2016, the Group purchased foreign corporate bonds for \$15,654 thousand with a maturity date of September 2021 and a coupon rate of 2.25%.

9. FINANCIAL ASSETS AT AMORTIZED COST

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Current</u> | | |
| Domestic investments | | |
| Time deposits with original maturities of more than 3 months (a) | \$ 924,700 | \$ 1,188,100 |
| Pledged fixed deposits (b) | <u>605,590</u> | <u>498,424</u> |
| | <u>\$ 1,530,290</u> | <u>\$ 1,686,524</u> |
| <u>Non-current</u> | | |
| Domestic investments | | |
| Restricted bank deposits (c) | \$ 29,611 | \$ - |
| Foreign investments | | |
| Foreign corporate bonds (d) | <u>28,923</u> | <u>30,542</u> |
| | <u>\$ 58,534</u> | <u>\$ 30,542</u> |

a. The interest rates for time deposits with original maturities of more than 3 months ranged from 0.15%-0.77% and 0.15%-1.07% per annum as of December 31, 2020 and 2019, respectively.

b. Refer to Note 32 for information relating to investments in financial assets at amortized cost pledged as security.

c. In accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds Act, the Group applied to the authorities to remit the earnings of foreign subsidiaries to a special bank account. As the aforementioned act restricts the use of deposits in the special account, the management recognized the deposits in the special account as financial assets at amortized cost - non-current.

- d. The Group purchased the priority unsecured US dollar debt issued by Formosa Group (Cayman) Limited at \$32,675 thousand, with an expiry date of April 22, 2025 and the coupon rate of 3.375%.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

| | <u>December 31</u> | |
|-------------------------------------|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Notes receivable</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 4,274 | \$ - |
| Less: Allowance for impairment loss | <u>-</u> | <u>-</u> |
| | <u>\$ 4,274</u> | <u>\$ -</u> |
| <u>Trade receivables</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 1,396,360 | \$ 1,421,318 |
| Less: Allowance for impairment loss | <u>(22,943)</u> | <u>(22,940)</u> |
| | <u>\$ 1,373,417</u> | <u>\$ 1,398,378</u> |
| <u>Other receivables</u> | | |
| Income tax refund receivable | \$ 59,953 | \$ 55,915 |
| Interest receivables | 10,834 | 6,924 |
| Others | <u>2,856</u> | <u>2,072</u> |
| | <u>\$ 73,643</u> | <u>\$ 64,911</u> |

The credit period of sales of goods was 5-135 days. No interest was charged on trade receivables. The Group adopted a policy of obtaining advance payment or sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own historical trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Group annually.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. 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 a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For trade receivables 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 trade receivables based on the Group's provision matrix.

December 31, 2020

| | Not Past Due | Up to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|--------------------------------|---------------------|--------------------------|----------------------|---------------------|---------------------|
| Gross carrying amount | \$ 1,388,858 | \$ 1,225 | \$ - | \$ 6,277 | \$ 1,396,360 |
| Loss allowance (Lifetime ECLs) | <u>(15,441)</u> | <u>(1,225)</u> | <u>-</u> | <u>(6,277)</u> | <u>(22,943)</u> |
| Amortized cost | <u>\$ 1,373,417</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,373,417</u> |

December 31, 2019

| | Not Past Due | Up to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|--------------------------------|---------------------|--------------------------|----------------------|---------------------|---------------------|
| Gross carrying amount | \$ 1,409,775 | \$ 3,691 | \$ - | \$ 7,852 | \$ 1,421,318 |
| Loss allowance (Lifetime ECLs) | <u>(14,239)</u> | <u>(849)</u> | <u>-</u> | <u>(7,852)</u> | <u>(22,940)</u> |
| Amortized cost | <u>\$ 1,395,536</u> | <u>\$ 2,842</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,398,378</u> |

The movements of the loss allowance of trade receivables were as follows:

| | 2020 | 2019 |
|--|------------------|------------------|
| Balance at January 1 | \$ 22,940 | \$ 20,928 |
| Add: Net remeasurement of loss allowance | <u>3</u> | <u>2,012</u> |
| Balance at December 31 | <u>\$ 22,943</u> | <u>\$ 22,940</u> |

Compared with January 1, 2020, the total carrying amount of accounts receivable as of December 31, 2020 decreased by a net amount of \$24,958 thousand, and the loss allowance increased by \$3 thousand; the total carrying amount of accounts receivable as of December 31, 2019 increased by a net amount of \$45,572 thousand, and the loss allowance increased by \$2,012 thousand, which was due to changes in accounts receivable of different risk groups.

11. INVENTORIES

| | December 31 | |
|------------------|---------------------|---------------------|
| | 2020 | 2019 |
| Finished goods | \$ 525,773 | \$ 589,938 |
| Work in progress | 815,667 | 1,097,557 |
| Raw materials | 200,634 | 220,395 |
| Merchandise | <u>1,660</u> | <u>1,774</u> |
| | <u>\$ 1,543,734</u> | <u>\$ 1,909,664</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$9,018,737 thousand and \$9,417,393 thousand, respectively.

The cost of goods sold included inventory write-downs of \$65,255 thousand and \$70,271 thousand for the years ended December 31, 2020 and 2019, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a. Subsidiaries included in the consolidated financial statements:

| Investor | Investee | Main Business | Proportion of Ownership (%) | |
|---------------------------------|---|--|---|--------|
| | | | 2020 | 2019 |
| Sitronix Technology Corporation | Sitronix Technology (Belize) Corp. (Belize Corp.) | International trade | 100.00 | 100.00 |
| | Sitronix Investment Corp. | Investment | 100.00 | 100.00 |
| | Sensortek Technology Corp. | R&D, design and sales of sensor integrated circuit products | 46.06 | 50.44 |
| | Infinno Technology Corp. | Comprehensive line of Power supervisor IC design | 63.99 | 63.99 |
| | mCore Technology Corp. | Providing solutions for consumer display and voice/audio related applications. | 90.73 | 90.73 |
| | Forcelead Technology Corp. | R&D and sales of small-size LCD driver IC and touch-integrated driver IC | 100.00 | 84.14 |
| | Sync-Tech System Corp. | Design, Manufacturing and Maintenance of Probe card | 48.75 | 50.80 |
| | Sitronix Holding International Ltd. (Holding Ltd.) | Investment | 100.00 | 100.00 |
| | HeFei ezGreen Co., Ltd. | Design, sales and technical services of Supplier management software development | 100.00 | 100.00 |
| | HeFei Sitronix Co., Ltd. | R&D, design, sales and technical services of integrated circuits and system hardware and software | 90.00 | 90.00 |
| | ezGreen Inc. | Software design and electronic information supply services | 100.00 | 100.00 |
| | Sitronix Technology (Shenzhen) Co., Ltd. | Computer software and hardware development, sales and after-sales service business and related technical consulting services | 100.00 | 100.00 |
| | Sitronix Investment Corp. | Sensortek Technology Corp. | R&D, design and sales of sensor integrated circuit products | - |
| Infinno Technology Corp. | | Comprehensive line of Power supervisor IC design | - | - |
| Forcelead Technology Corp. | | R&D and sales of small-size LCD driver IC and touch-integrated driver IC | - | - |
| Belize Corp. | Sitronix Technology (Mauritius) Corp. (Mauritius Corp.) | International trade | 100.00 | 100.00 |

The financial statements of the above subsidiaries included in the consolidated financial statements for the years ended December 31, 2020 and 2019 have been audited by certified public accountants.

As of December 31, 2020, the Group's shareholding ratio of Sensortek Technology Corp. was 46.06%. Since Sensortek Technology Corp. is a TPEX listed company in the Republic of China, the remaining 53.94% of the shares held are widely dispersed. After considering the absolute number, relative size and distribution of shareholding held by the other shareholders, the Group was judged to have the substantive ability to dominate the relevant activities of Sensortek Technology Corp., therefore, it is classified as a subsidiary.

As of December 31, 2020, the Group's shareholding ratio of Sync-Tech System Corp. was 48.75%, and was the largest single shareholder of the latter. After considering the absolute number, relative size and distribution of shareholding held by the other shareholders, the Group was judged to have the substantive ability to dominate the relevant activities of Sync-Tech System Corp., therefore, it is classified as a subsidiary.

On December 24, 2020, as the Group repurchased all of the shares of Forcelead Technology Corp., the shareholding ratio increased from 83.86% to 100%.

Belize Corp. has applied for liquidation and dissolution during 2020, and its share capital and surplus have been repatriated.

Refer to Note 27 for the acquisitions and disposals of investments in subsidiaries.

b. Details of subsidiaries that have material non-controlling interests

| Name of Subsidiary | Principal Place of Business | Proportion of Ownership and Voting Rights Held by Non-controlling Interests | |
|----------------------------|-----------------------------|---|------------------|
| | | December 31 2020 | December 31 2019 |
| Sensortek Technology Corp. | Taiwan | 53.94% | 49.56% |
| Infinno Technology Corp. | Taiwan | 36.01% | 36.01% |
| Forcelead Technology Corp. | Taiwan | - | 15.86% |
| Sync-Tech System Corp. | Taiwan | 51.25% | 49.20% |

| Name of Subsidiary | Profit (Loss) Allocated to Non-controlling Interests For the Year Ended December 31 | | Accumulated Non-controlling Interests December 31 | |
|----------------------------|---|-------------------|---|---------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Sensortek Technology Corp. | \$ 712,052 | \$ 649,846 | \$ 2,440,844 | \$ 903,513 |
| Infinno Technology Corp. | (5,535) | (5,765) | 17,231 | 22,766 |
| Forcelead Technology Corp. | 18,541 | 35,160 | - | 97,193 |
| Sync-Tech System Corp. | 48,044 | 23,211 | 148,616 | 91,126 |
| Others | <u>6,193</u> | <u>5,117</u> | <u>31,248</u> | <u>25,194</u> |
| Total | <u>\$ 779,295</u> | <u>\$ 707,569</u> | <u>\$ 2,637,939</u> | <u>\$ 1,139,792</u> |

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

| | December 31 | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Current assets | \$ 6,256,725 | \$ 4,344,811 |
| Non-current assets | 614,308 | 283,295 |
| Current liabilities | (1,785,896) | (1,702,749) |
| Non-current liabilities | <u>(191,171)</u> | <u>(240,783)</u> |
| Equity | <u>\$ 4,893,966</u> | <u>\$ 2,684,574</u> |
| Equity attributable to: | | |
| Owners of the Company | \$ 2,287,275 | \$ 1,569,976 |
| Non-controlling interests of subsidiaries | <u>2,606,691</u> | <u>1,114,598</u> |
| | <u>\$ 4,893,966</u> | <u>\$ 2,684,574</u> |

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2020 | 2019 |
| Revenue | <u>\$ 6,870,823</u> | <u>\$ 6,301,257</u> |
| Profit for the year | \$ 1,577,255 | \$ 1,509,464 |
| Other comprehensive income for the year | <u>1,290</u> | <u>(2)</u> |
| Total comprehensive income for the year | <u>\$ 1,578,545</u> | <u>\$ 1,509,462</u> |
| Profit attributable to: | | |
| Owners of the Company | \$ 804,153 | \$ 807,012 |
| Non-controlling interests of the subsidiaries | <u>773,102</u> | <u>702,452</u> |
| | <u>\$ 1,577,255</u> | <u>\$ 1,509,464</u> |
| Total comprehensive income attributable to: | | |
| Owners of the Company | \$ 803,179 | \$ 807,010 |
| Non-controlling interests of the subsidiaries | <u>772,218</u> | <u>702,452</u> |
| | <u>\$ 1,575,397</u> | <u>\$ 1,509,462</u> |
| Net cash inflow (outflow) from: | | |
| Operating activities | \$ 2,218,299 | \$ 2,042,883 |
| Investing activities | (1,028,878) | (1,432,844) |
| Financing activities | 1,185,715 | (165,306) |
| Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies | <u>(21,087)</u> | <u>(5,213)</u> |
| Net cash inflow | <u>\$ 2,354,049</u> | <u>\$ 439,520</u> |
| Dividends paid to non-controlling interests | <u>\$ 470,063</u> | <u>\$ 78,902</u> |

13. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land | Buildings | Machinery Equipment | Test Equipment | Office Equipment | Property Under Construction | Total |
|---|-------------------|-------------------|------------------------|-------------------|---------------------|--------------------------------|---------------------|
| <u>Cost</u> | | | | | | | |
| Balance at January 1, 2019 | \$ 125,542 | \$ 476,933 | \$ 112,362 | \$ 692,352 | \$ 11,210 | \$ - | \$ 1,418,399 |
| Additions | - | 8,228 | 21,448 | 208,268 | 1,446 | - | 239,390 |
| Disposals | - | - | (1,117) | (125,681) | (65) | - | (126,863) |
| Effect of foreign currency exchange differences | - | (547) | (57) | (55) | (160) | - | (819) |
| Transfer from investment properties | <u>6,934</u> | <u>21,152</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>28,086</u> |
| Balance at December 31, 2019 | <u>\$ 132,476</u> | <u>\$ 505,766</u> | <u>\$ 132,636</u> | <u>\$ 774,884</u> | <u>\$ 12,431</u> | <u>\$ -</u> | <u>\$ 1,558,193</u> |
| <u>Accumulated depreciation</u> | | | | | | | |
| Balance at January 1, 2019 | \$ - | \$ 131,375 | \$ 60,561 | \$ 406,174 | \$ 9,985 | \$ - | \$ 608,095 |
| Additions | - | 18,667 | 19,176 | 175,162 | 1,335 | - | 214,340 |
| Disposals | - | - | (1,117) | (120,342) | (65) | - | (121,524) |
| Effect of foreign currency exchange differences | - | (183) | (17) | (81) | (123) | - | (404) |
| Transfer from investment properties | <u>-</u> | <u>3,560</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,560</u> |
| Balance at December 31, 2019 | <u>\$ -</u> | <u>\$ 153,419</u> | <u>\$ 78,603</u> | <u>\$ 460,913</u> | <u>\$ 11,132</u> | <u>\$ -</u> | <u>\$ 704,067</u> |
| Balance at January 1, 2019 | <u>\$ 125,542</u> | <u>\$ 345,558</u> | <u>\$ 51,801</u> | <u>\$ 286,178</u> | <u>\$ 1,225</u> | <u>\$ -</u> | <u>\$ 810,304</u> |
| Carrying amount at December 31, 2019 | <u>\$ 132,476</u> | <u>\$ 352,347</u> | <u>\$ 54,033</u> | <u>\$ 313,971</u> | <u>\$ 1,299</u> | <u>\$ -</u> | <u>\$ 854,126</u> |

(Continued)

| | Freehold Land | Buildings | Machinery Equipment | Test Equipment | Office Equipment | Property Under Construction | Total |
|---|-------------------|-------------------|------------------------|-------------------|---------------------|--------------------------------|---------------------|
| <u>Cost</u> | | | | | | | |
| Balance at January 1, 2020 | \$ 132,476 | \$ 505,766 | \$ 132,636 | \$ 774,884 | \$ 12,431 | \$ - | \$ 1,558,193 |
| Additions | - | 2,066 | 49,921 | 232,659 | 939 | 133,308 | 418,893 |
| Disposals | - | (62) | (8,517) | (131,377) | (1,440) | - | (141,396) |
| Effect of foreign currency exchange differences | - | 250 | 30 | 282 | 65 | - | 627 |
| Balance at December 31, 2020 | <u>\$ 132,476</u> | <u>\$ 508,020</u> | <u>\$ 174,070</u> | <u>\$ 876,448</u> | <u>\$ 11,995</u> | <u>\$ 133,308</u> | <u>\$ 1,836,317</u> |
| <u>Accumulated depreciation</u> | | | | | | | |
| Balance at January 1, 2020 | \$ - | \$ 153,419 | \$ 78,603 | \$ 460,913 | \$ 11,132 | \$ - | \$ 704,067 |
| Additions | - | 17,598 | 23,206 | 206,582 | 1,384 | - | 248,770 |
| Disposals | - | (62) | (7,493) | (130,479) | (1,407) | - | (139,441) |
| Effect of foreign currency exchange differences | - | 137 | 18 | 174 | 58 | - | 387 |
| Balance at December 31, 2020 | <u>\$ -</u> | <u>\$ 171,092</u> | <u>\$ 94,334</u> | <u>\$ 537,190</u> | <u>\$ 11,167</u> | <u>\$ -</u> | <u>\$ 813,783</u> |
| Balance at January 1, 2020 | <u>\$ 132,476</u> | <u>\$ 352,347</u> | <u>\$ 54,033</u> | <u>\$ 313,971</u> | <u>\$ 1,299</u> | <u>\$ -</u> | <u>\$ 854,126</u> |
| Carrying amount at December 31, 2020 | <u>\$ 132,476</u> | <u>\$ 336,928</u> | <u>\$ 79,736</u> | <u>\$ 339,258</u> | <u>\$ 828</u> | <u>\$ 133,308</u> | <u>\$ 1,022,534</u> |

(Concluded)

The Group's property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

| | |
|---|-----------|
| Buildings | |
| Main buildings | 50 years |
| Renovation construction / Lease improvement | 1-5 years |
| Machinery equipment | 3-6 years |
| Test equipment | 2-6 years |
| Office equipment | 3-6 years |

14. LEASE ARRANGEMENTS

a. Right-of-use assets

| | <u>December 31</u> | |
|--|--------------------|--------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Carrying amount</u> | | |
| Buildings | \$ 73,057 | \$ 65,444 |
| Office equipment | <u>9,941</u> | <u>3,052</u> |
| | <u>\$ 82,998</u> | <u>\$ 68,496</u> |
| <u>For the Year Ended December 31</u> | | |
| | <u>2020</u> | <u>2019</u> |
| Additions to right-of-use assets | <u>\$ 53,710</u> | <u>\$ 14,568</u> |
| Depreciation charge for right-of-use assets | | |
| Buildings | \$ 35,799 | \$ 35,612 |
| Office equipment | <u>3,586</u> | <u>1,757</u> |
| | <u>\$ 39,385</u> | <u>\$ 37,369</u> |

Except for the addition and recognition of depreciation expenses listed above, there was no significant sublease or impairment of the Group's right-of-use assets in 2020 and 2019.

b. Lease liabilities

| | <u>December 31</u> | |
|------------------------|--------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Carrying amount</u> | | |
| Current | \$ <u>29,899</u> | \$ <u>33,831</u> |
| Non-current | \$ <u>52,274</u> | \$ <u>31,431</u> |

Range of discount rate for lease liabilities was as follows:

| | <u>December 31</u> | |
|------------------|--------------------|---------------|
| | <u>2020</u> | <u>2019</u> |
| Buildings | 1.504%-4.750% | 1.504%-4.750% |
| Office equipment | 1.204%-1.895% | 1.204%-1.895% |

c. Material lease activities and terms (the Group is lessee)

The Group leases certain buildings for the use of plants and offices, and rental cars with lease terms between 3-6 years. The Group does not have bargain purchase or renewal options to acquire or renew the leases when they expire.

The Group did not have significant new lease contracts in 2020 and 2019. Due to the impact of the COVID-19 on the market economy in 2020, the Group's lessor in China agreed to unconditionally reduce the rental amount of the Group's lease of office space from February 1 to December 31, 2020. The Group recognized the impact of the aforementioned rent reduction of CNY1,081 thousand in 2020 (accounted for as other income).

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 15.

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| Expenses relating to short-term leases | \$ <u>1,307</u> | \$ <u>2,070</u> |
| Expenses relating to low-value asset leases | \$ <u>70</u> | \$ <u>67</u> |
| Total cash outflow for leases | \$ <u>39,833</u> | \$ <u>36,414</u> |

The Group's leases of certain parking spaces qualify as short-term leases and machinery which qualify as low-value asset 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.

15. INVESTMENT PROPERTIES

| | Land | Buildings | Total |
|--|-------------------|-------------------|-------------------|
| <u>Cost</u> | | | |
| Balance at January 1, 2019 | \$ 125,945 | \$ 239,923 | \$ 365,868 |
| Transferred to properties, plant and equipment | <u>(6,934)</u> | <u>(21,152)</u> | <u>(28,086)</u> |
| Balance at December 31, 2019 | <u>\$ 119,011</u> | <u>\$ 218,771</u> | <u>\$ 337,782</u> |

(Continued)

| | Land | Buildings | Total |
|--|-------------------|-------------------|-------------------|
| <u>Accumulated depreciation</u> | | | |
| Balance at January 1, 2019 | \$ - | \$ 35,309 | \$ 35,309 |
| Depreciation expense | - | 4,408 | 4,408 |
| Transferred to properties, plant and equipment | <u>-</u> | <u>(3,560)</u> | <u>(3,560)</u> |
| Balance at December 31, 2019 | <u>\$ -</u> | <u>\$ 36,157</u> | <u>\$ 36,157</u> |
| Balance at January 1, 2019 | <u>\$ 125,945</u> | <u>\$ 204,614</u> | <u>\$ 330,559</u> |
| Carrying amount at December 31, 2019 | <u>\$ 119,011</u> | <u>\$ 182,614</u> | <u>\$ 301,625</u> |
| <u>Cost</u> | | | |
| Balance at January 1, 2020 | \$ 119,011 | \$ 218,771 | \$ 337,782 |
| Transferred to properties, plant and equipment | <u>(38,951)</u> | <u>(16,888)</u> | <u>(55,839)</u> |
| Balance at December 31, 2020 | <u>\$ 80,060</u> | <u>\$ 201,883</u> | <u>\$ 281,943</u> |
| <u>Accumulated depreciation</u> | | | |
| Balance at January 1, 2020 | \$ - | \$ 36,157 | \$ 36,157 |
| Depreciation expense | - | 3,972 | 3,972 |
| Transferred to properties, plant and equipment | <u>-</u> | <u>(4,525)</u> | <u>(4,525)</u> |
| Balance at December 31, 2020 | <u>\$ -</u> | <u>\$ 35,604</u> | <u>\$ 35,604</u> |
| Balance at January 1, 2020 | <u>\$ 119,011</u> | <u>\$ 182,614</u> | <u>\$ 301,625</u> |
| Carrying amount at December 31, 2020 | <u>\$ 80,060</u> | <u>\$ 166,279</u> | <u>\$ 246,339</u> |

(Concluded)

The above-mentioned investment properties were leased out for 1 to 5 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The future minimum lease payments of operating lease commitments were as follows:

| | December 31 | |
|--------|--------------------|------------------|
| | 2020 | 2019 |
| Year 1 | \$ 5,520 | \$ 5,482 |
| Year 2 | 2,088 | 5,011 |
| Year 3 | <u>-</u> | <u>2,089</u> |
| | <u>\$ 7,608</u> | <u>\$ 12,582</u> |

Investment properties are depreciated using the straight-line method over their estimated useful lives of 50 years.

The determination of fair values of the Group's investment properties was performed by independent qualified professional vaulters of the China Real Estate Appraising Firm using Level 3 inputs. The evaluation is based on the weighted average of the income method and the market comparison method. The significant unobservable input used include the discount rate, and the fair values as appraised are as follows:

| | <u>December 31</u> | |
|------------|--------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| Fair value | <u>\$ 350,306</u> | <u>\$ 459,093</u> |

All of the Group's investment properties were held under freehold interests.

16. INTANGIBLE ASSETS

| | Royalty | Computer Software | Total |
|---|-------------------|------------------------------|-------------------|
| <u>Cost</u> | | | |
| Balance at January 1, 2019 | \$ 101,155 | \$ 68,322 | \$ 169,477 |
| Additions | 9,264 | 12,798 | 22,062 |
| Effect of foreign currency exchange differences | <u>-</u> | <u>(79)</u> | <u>(79)</u> |
| Balance at December 31, 2019 | <u>\$ 110,419</u> | <u>\$ 81,041</u> | <u>\$ 191,460</u> |
| <u>Accumulated amortization</u> | | | |
| Balance at January 1, 2019 | \$ 75,904 | \$ 45,698 | \$ 121,602 |
| Amortization expenses | 14,161 | 17,733 | 31,894 |
| Effect of foreign currency exchange differences | <u>-</u> | <u>(22)</u> | <u>(22)</u> |
| Balance at December 31, 2019 | <u>\$ 90,065</u> | <u>\$ 63,409</u> | <u>\$ 153,474</u> |
| Balance at January 1, 2019 | <u>\$ 25,251</u> | <u>\$ 22,624</u> | <u>\$ 47,875</u> |
| Carrying amount at December 31, 2019 | <u>\$ 20,354</u> | <u>\$ 17,632</u> | <u>\$ 37,986</u> |
| <u>Cost</u> | | | |
| Balance at January 1, 2020 | \$ 110,419 | \$ 81,041 | \$ 191,460 |
| Additions | 16,513 | 22,062 | 38,575 |
| Effect of foreign currency exchange differences | <u>-</u> | <u>34</u> | <u>34</u> |
| Balance at December 31, 2020 | <u>\$ 126,932</u> | <u>\$ 103,137</u> | <u>\$ 230,069</u> |
| <u>Accumulated amortization</u> | | | |
| Balance at January 1, 2020 | \$ 90,065 | \$ 63,409 | \$ 153,474 |
| Amortization expenses | 17,162 | 15,653 | 32,815 |
| Effect of foreign currency exchange differences | <u>-</u> | <u>14</u> | <u>14</u> |
| Balance at December 31, 2020 | <u>\$ 107,227</u> | <u>\$ 79,076</u> | <u>\$ 186,303</u> |
| Balance at January 1, 2020 | <u>\$ 20,354</u> | <u>\$ 17,632</u> | <u>\$ 37,986</u> |
| Carrying amount at December 31, 2020 | <u>\$ 19,705</u> | <u>\$ 24,061</u> | <u>\$ 43,766</u> |

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

| | |
|-------------------|------------|
| Royalty | 2-8 years |
| Computer software | 2-10 years |

17. OTHER ASSETS

| | <u>December 31</u> | |
|---|--------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Other current assets</u> | | |
| Provisional payments | \$ 17,699 | \$ 3,859 |
| Others | <u>2,163</u> | <u>1,839</u> |
| | <u>\$ 19,862</u> | <u>\$ 5,698</u> |
| <u>Prepayments</u> | | |
| Input tax and offset against business tax | \$ 101,576 | \$ 105,013 |
| Prepayments | 40,682 | 37,721 |
| Prepaid probe cards | 27,965 | 28,062 |
| Others | <u>4,284</u> | <u>3,005</u> |
| | <u>\$ 174,507</u> | <u>\$ 173,801</u> |
| <u>Other non-current assets</u> | | |
| Prepayments for investments | \$ 60,000 | \$ 30,000 |
| Refundable deposits | 12,715 | 15,236 |
| Prepayments for equipment | <u>3,594</u> | <u>12,852</u> |
| | <u>\$ 76,309</u> | <u>\$ 58,088</u> |

18. SHORT-TERM BORROWINGS

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Short-term unsecured borrowings</u> | | |
| Bank loans | <u>\$ 267,776</u> | <u>\$ 278,814</u> |

The range of weighted average effective interest rates on bank loans was 0.64%-0.90% and 2.08% as of December 31, 2020 and 2019, respectively.

19. OTHER LIABILITIES

| | <u>December 31</u> | |
|-----------------------------------|---------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Current</u> | | |
| Other payables | | |
| Payables for salaries and bonuses | \$ 789,514 | \$ 581,428 |
| Payables for equipment | 57,582 | 32,878 |
| Payables for research | 23,061 | 24,173 |
| Others | <u>262,338</u> | <u>167,186</u> |
| | <u>\$ 1,132,495</u> | <u>\$ 805,665</u> |
| Other liabilities | | |
| Temporary receipts | \$ 68,973 | \$ 13,740 |
| Contract liabilities | 25,163 | 8,807 |
| Others | <u>7,494</u> | <u>8,587</u> |
| | <u>\$ 101,630</u> | <u>\$ 31,134</u> |

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Group in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group 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 Group 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 Group 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 Group has no right to influence the investment policy and strategy.

The amounts based on the actuarial report of the Group's defined benefit plans were as follows:

| | <u>December 31</u> | |
|---|--------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| Present value of defined benefit obligation | \$ 98,281 | \$ 95,776 |
| Fair value of the plan assets | <u>(53,404)</u> | <u>(49,130)</u> |
| Net defined benefit liabilities | <u>\$ 44,877</u> | <u>\$ 46,646</u> |

Movements in net defined benefit liabilities were as follows:

| | Present Value of Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
|---|--|--|--|
| Balance at January 1, 2019 | \$ 96,085 | \$ (44,767) | \$ 51,318 |
| Service cost | | | |
| Past service cost | (595) | - | (595) |
| Net interest expense (income) | <u>956</u> | <u>(455)</u> | <u>501</u> |
| Recognized in profit or loss | <u>361</u> | <u>(455)</u> | <u>(94)</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (1,538) | (1,538) |
| Actuarial loss - change in demographic assumptions | 1,017 | - | 1,017 |
| Actuarial gain - change in financial assumptions | (473) | - | (473) |
| Actuarial gain - experience adjustments | (1,214) | - | (1,214) |
| Recognized in other comprehensive income | <u>(670)</u> | <u>(1,538)</u> | <u>(2,208)</u> |
| Contributions from the employer | <u>-</u> | <u>(2,370)</u> | <u>(2,370)</u> |
| Balance at December 31, 2019 | <u>95,776</u> | <u>(49,130)</u> | <u>46,646</u> |
| Service cost | | | |
| Past service cost | (2,621) | - | (2,621) |
| Net interest expense (income) | <u>715</u> | <u>(374)</u> | <u>341</u> |
| Recognized in profit or loss | <u>(1,906)</u> | <u>(374)</u> | <u>(2,820)</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (1,575) | (1,575) |
| Actuarial loss - change in demographic assumptions | 532 | - | 532 |
| Actuarial gain - change in financial assumptions | 5,047 | - | 5,047 |
| Actuarial gain - experience adjustments | <u>(1,168)</u> | <u>-</u> | <u>(1,168)</u> |
| Recognized in other comprehensive income | <u>4,411</u> | <u>(1,575)</u> | <u>2,836</u> |
| Contributions from the employer | <u>-</u> | <u>(2,325)</u> | <u>(2,325)</u> |
| Balance at December 31, 2020 | <u>\$ 98,281</u> | <u>\$ (53,404)</u> | <u>\$ 44,877</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 |
| Selling and marketing expenses | \$ 34 | \$ 51 |
| General and administrative expenses | (2,488) | 97 |
| Research and development expenses | <u>174</u> | <u>(242)</u> |
| | <u>\$ (2,280)</u> | <u>\$ (94)</u> |

Through the defined benefit plans under the Labor Standards Act, the Group 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 by reference to 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 | 0.30% | 0.75% |
| Expected rate of salary increase | 4.00% | 4.00% |

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 increase (decrease) as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Discount rate | | |
| 0.25% increase | <u>\$ (2,786)</u> | <u>\$ (2,875)</u> |
| 0.25% decrease | <u>\$ 2,898</u> | <u>\$ 2,995</u> |
| Expected rate of salary increase/decrease | | |
| 0.25% increase | <u>\$ 2,786</u> | <u>\$ 2,892</u> |
| 0.25% decrease | <u>\$ (2,695)</u> | <u>\$ (2,794)</u> |

The 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 | <u>\$ 2,312</u> | <u>\$ 2,357</u> |
| Average duration of the defined benefit obligation | 11 years | 12 years |

21. EQUITY

a. Share capital

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Number of shares authorized (in thousands) | <u>200,000</u> | <u>200,000</u> |
| Share capital | <u>\$ 2,000,000</u> | <u>\$ 2,000,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>120,137</u> | <u>120,137</u> |
| Shares issued | <u>\$ 1,201,369</u> | <u>\$ 1,201,369</u> |

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

The authorized shares include 20,000 thousand shares reserved for the exercise of employee stock options.

b. Capital surplus

| | <u>December 31</u> | |
|---|---------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u> | | |
| Issuance of ordinary shares | \$ 278,773 | \$ 278,773 |
| Conversion of bonds | 335,041 | 335,041 |
| The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition | - | - |
| <u>May be used to offset a deficit only</u> | | |
| Issuance of ordinary shares | 123,222 | 123,222 |
| Changes in percentage of ownership interests in subsidiaries (2) | <u>925,803</u> | <u>35,285</u> |
| | <u>\$ 1,662,839</u> | <u>\$ 772,321</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).

2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

The shareholders of the Company held their regular meeting on June 26, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the board of directors is authorized to adopt a special resolution to distribute all or part of the dividends and bonuses in cash, and a report of such distribution should be submitted in the latest shareholders' meeting.

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be distributed in the following order:

- 1) Utilized for paying taxes.
- 2) Offsetting losses of previous years.
- 3) Setting aside as a legal reserve of 10% of the remaining profit (legal reserve that has reached the company's paid-in capital is not subject to this condition).
- 4) Setting aside or reversing a special reserve in accordance with the laws and regulations.
- 5) 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.

For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Notes 23(h).

The distribution of dividends to shareholders of the Company can be made in cash or shares, but the proportion of cash dividends distributed should not be less than 10% of the total dividends distributed. The dividends policy is dependent on the Company's current and future investment environment, capital needs, domestic and international competition and capital budget, etc., taking into account the interests of shareholders, balance of dividends and long-term financial planning of the Company, the board of directors plans to distribute the case to the shareholders' meeting.

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 deficit 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, Rule No. 1010047490 and Rule No. 1030006415 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 June 24, 2020 and June 26, 2019, respectively, were as follows:

| | Appropriation of Earnings | |
|--|---------------------------------------|-------------|
| | For the Year Ended December 31 | |
| | 2019 | 2018 |
| Legal reserve | \$ 123,059 | \$ 84,036 |
| (Reversals) Appropriations special reserve | \$ (174,421) | \$ 225,303 |
| Cash dividends | \$ 780,890 | \$ 601,113 |
| Cash dividends per share (NT\$) | \$ 6.5 | \$ 5.0 |

The appropriation of earnings for 2020 had been proposed by the Company's board of directors on March 18, 2021. The appropriation and dividends per share were as follows:

| | 2020 |
|---------------------------------|-------------------|
| Legal reserve | \$ <u>117,719</u> |
| Appropriations special reserve | \$ <u>102,697</u> |
| Cash dividends | \$ <u>901,027</u> |
| Cash dividends per share (NT\$) | \$ 7.5 |

The aforementioned distribution of cash dividends has been resolved by the board of directors, and the rest has yet to be resolved at the shareholders' meeting to be held on June 23, 2021.

d. Special reserve

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Balance at January 1 | \$ 251,947 | \$ 26,644 |
| (Reversals) Appropriations in respect of Debits to other equity items | <u>(174,421)</u> | <u>225,303</u> |
| Balance at December 31 | <u>\$ 77,526</u> | <u>\$ 251,947</u> |

e. Other equity items

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Balance at January 1 | \$ (9,688) | \$ (846) |
| Exchange differences on translating the financial statements of foreign operations | <u>(756)</u> | <u>(8,842)</u> |
| Balance at December 31 | <u>\$ (10,444)</u> | <u>\$ (9,688)</u> |

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|--------------------|
| | 2020 | 2019 |
| Balance at January 1 | \$ (67,838) | \$ (251,101) |
| Recognized for the year | | |
| Unrealized gain (loss) - debt instruments | 1,848 | 122 |
| Unrealized gain (loss) - equity instruments | (192,573) | 201,676 |
| Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal | <u>88,783</u> | <u>(18,535)</u> |
| Balance at December 31 | <u>\$ (169,780)</u> | <u>\$ (67,838)</u> |

3) Unearned employee benefits

| | For the Year Ended December 31 | |
|--|---------------------------------------|--------------|
| | 2020 | 2019 |
| Balance at January 1 | \$ - | \$ (25,652) |
| Share-based payment expenses recognized (reversal) | - | 16,782 |
| Cancellation of restricted shares for employees | <u>-</u> | <u>8,870</u> |
| Balance at December 31 | <u>\$ -</u> | <u>\$ -</u> |

f. Non-controlling interests

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2020 | 2019 |
| Balance at January 1 | \$ 1,139,792 | \$ 493,406 |
| Share attributable to non-controlling interests: | | |
| Share in profit for the year | 779,295 | 707,569 |
| Exchange difference on translating the financial statements of foreign operations | 313 | (555) |
| Financial assets at FVTOCI | (883) | - |
| The Company's shares held by its subsidiaries treated as treasury shares | (10,398) | - |
| Cash dividends distributed by subsidiaries | (470,515) | (79,465) |
| Changes in non-controlling interests in the current period | <u>1,200,335</u> | <u>18,837</u> |
| Balance at December 31 | <u>\$ 2,637,939</u> | <u>\$ 1,139,792</u> |

g. Treasury shares

| Purpose of Buy-Back | Shares Held by Subsidiary (In Thousands of Shares) |
|---------------------------------------|---|
| Number of shares at January 1, 2020 | - |
| Increase during the year | <u>138</u> |
| Number of shares at December 31, 2020 | <u>138</u> |

The Company's shares held by its subsidiary at the end of the reporting period were as follows:

| Name of Subsidiary | Number of Shares Held (In Thousands of Shares) | Carrying Amount | Market Price |
|----------------------------|---|------------------------|---------------------|
| <u>December 31, 2020</u> | | | |
| Sensortek Technology Corp. | 138 | \$ 22,425 | \$ 22,425 |

The Company's shares held by its subsidiary are treated as treasury shares.

Refer to Note 27 for the acquisitions and disposals of investments in subsidiaries.

22. REVENUE

a. Disaggregation of revenue

| | For the Year Ended December 31 | |
|-------------------------------------|---------------------------------------|----------------------|
| | 2020 | 2019 |
| <u>Product</u> | | |
| Integrated circuits | \$ 13,376,966 | \$ 13,584,346 |
| Others | <u>427,596</u> | <u>218,392</u> |
| | <u>\$ 13,804,562</u> | <u>\$ 13,802,738</u> |
| <u>Primary geographical markets</u> | | |
| Hong Kong | \$ 12,003,719 | \$ 11,817,629 |
| Taiwan | 897,710 | 673,515 |
| Vietnam | 428,111 | 563,043 |
| China | 211,671 | 365,382 |
| Others | <u>263,351</u> | <u>383,169</u> |
| | <u>\$ 13,804,562</u> | <u>\$ 13,802,738</u> |

The basis of calculation of the Group's revenue segregated by geographical location is mainly based on the location the goods were shipped as designated by the customers.

b. Contract balances

| | December 31, 2020 | December 31, 2019 | January 1, 2019 |
|--|------------------------------|------------------------------|----------------------------|
| Accounts receivable (Note 10) | <u>\$ 1,373,417</u> | <u>\$ 1,398,378</u> | <u>\$ 1,354,818</u> |
| Contract liabilities - current (Note 19) | | | |
| Sales of goods | <u>\$ 25,163</u> | <u>\$ 8,807</u> | <u>\$ 18,866</u> |

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year is as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2020 | 2019 |
| <u>From contract liabilities at the start of the year</u> | | |
| Sales of goods | <u>\$ 5,809</u> | <u>\$ 14,999</u> |

Changes in contract liabilities are mainly due to the timing difference between the satisfaction of performance obligations and customer payment.

23. NET PROFIT

a. Other operating income and expense

| | For the Year Ended December 31 | |
|---|---------------------------------------|-----------------|
| | 2020 | 2019 |
| Gain on disposal of investment properties and property, plant and equipment | \$ 91,415 | \$ 9,663 |
| Gain on sublease of right-of-use assets | <u>1,109</u> | <u>-</u> |
| | <u>\$ 92,524</u> | <u>\$ 9,663</u> |

b. Interest income

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2020 | 2019 |
| Financial assets at amortized cost | \$ 40,898 | \$ 33,252 |
| Financial asset at FVTPL | 1,005 | 2,554 |
| Investments in debt instruments at FVTOCI | 1,658 | 941 |
| Others | <u>137</u> | <u>81</u> |
| | <u>\$ 43,698</u> | <u>\$ 36,828</u> |

c. Other income

| | For the Year Ended December 31 | |
|-------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Government grants | \$ 18,140 | \$ 21,784 |
| Rental income | 10,235 | 13,067 |
| Dividend income | 6,937 | 14,389 |
| Others | <u>16,238</u> | <u>16,207</u> |
| | <u>\$ 51,550</u> | <u>\$ 65,447</u> |

d. Other gains and losses

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2020 | 2019 |
| Gain on financial assets designated as at FVTPL | \$ 97,317 | \$ 22,688 |
| Net foreign exchange (losses) gains | (40,771) | 7,429 |
| Depreciation of investment property | (3,972) | (4,408) |
| Other losses | <u>(150)</u> | <u>(169)</u> |
| | <u>\$ 52,424</u> | <u>\$ 25,540</u> |

e. Finance costs

| | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Interest on loans | \$ 5,262 | \$ 7,822 |
| Interest on lease liabilities | 1,474 | 1,858 |
| Other interest expenses | <u>358</u> | <u>1,139</u> |
| | <u>\$ 7,094</u> | <u>\$ 10,819</u> |

f. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Property, plant and equipment | \$ 248,770 | \$ 214,340 |
| Investment properties | 3,972 | 4,408 |
| Right-of-use assets | 39,385 | 37,369 |
| Intangible assets | <u>32,815</u> | <u>31,894</u> |
| | <u>\$ 324,942</u> | <u>\$ 288,011</u> |
| An analysis of depreciation by function | | |
| Operating expenses | \$ 203,302 | \$ 194,314 |
| Operating costs | 84,853 | 57,395 |
| Depreciation of investment property | <u>3,972</u> | <u>4,408</u> |
| | <u>\$ 292,127</u> | <u>\$ 256,117</u> |
| An analysis of amortization by function | | |
| Operating expenses | \$ 32,663 | \$ 31,894 |
| Operating costs | <u>152</u> | <u>-</u> |
| | <u>\$ 32,815</u> | <u>\$ 31,894</u> |

g. Employee benefits expense

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2020 | 2019 |
| Short-term benefits | \$ 1,926,845 | \$ 1,787,323 |
| Post-employment benefits (Note 20) | | |
| Defined contribution plans | 45,497 | 41,367 |
| Defined benefit plans | (2,257) | (71) |
| Share-based payments | | |
| Equity-settled | <u>34,735</u> | <u>18,087</u> |
| Total employee benefits expense | <u>\$ 2,004,820</u> | <u>\$ 1,846,706</u> |
| An analysis of employee benefits expense by function | | |
| Operating expenses | \$ 1,783,291 | \$ 1,665,987 |
| Operating costs | <u>221,529</u> | <u>180,719</u> |
| | <u>\$ 2,004,820</u> | <u>\$ 1,846,706</u> |

h. Employees' compensation and remuneration of directors

According to the articles of incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 25%, and rates of no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The employees' compensation and the remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the company's board of directors on March 18, 2021 and March 13, 2020, respectively, are as follows:

Amount

| | For the Year Ended December 31 | | | |
|---------------------------|---------------------------------------|---------------|-------------|---------------|
| | 2020 | | 2019 | |
| | Cash | Shares | Cash | Shares |
| Employees' compensation | \$ 124,372 | \$ - | \$ 110,023 | \$ - |
| Remuneration of directors | 37,311 | - | 33,007 | - |

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate. There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation 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.

i. Gains or losses on foreign currency exchange

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Foreign exchange gains | \$ 159,628 | \$ 199,644 |
| Foreign exchange losses | <u>(200,399)</u> | <u>(192,215)</u> |
| Net gains (losses) | <u>\$ (40,771)</u> | <u>\$ 7,429</u> |

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Current tax | | |
| In respect of the current year | \$ 362,993 | \$ 266,287 |
| Income tax on unappropriated earnings | 20,090 | 1,757 |
| Adjustments for prior years | <u>(12,070)</u> | <u>(7,305)</u> |
| | 373,013 | 260,739 |
| Deferred tax | | |
| In respect of the current year | <u>(13,500)</u> | <u>4,526</u> |
| Income tax expense recognized in profit or loss | <u>\$ 359,513</u> | <u>\$ 265,265</u> |

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2020 | 2019 |
| Profit before tax from continuing operations | <u>\$ 2,523,626</u> | <u>\$ 2,203,422</u> |
| Income tax expense calculated at the statutory rate | \$ 667,819 | \$ 606,558 |
| Deductible expenses in determining taxable income | (188,836) | (169,605) |
| Tax-exempt income | (122,750) | (150,048) |
| Income tax on unappropriated earnings | 22,090 | 1,757 |
| Impact of the temporary differences | 1,461 | 5,235 |
| Effects of investment credits | (7,582) | (9,747) |
| Unrecognized tax-deductible loss | (619) | (11,580) |
| Adjustments for prior years' tax | <u>(12,070)</u> | <u>(7,305)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 359,513</u> | <u>\$ 265,265</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. The Group has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

In addition, due to the impact of Covid-19, in accordance with Rule No.10904558730 issued by the Ministry of Finance of Taiwan, the Group has deducted the amount of dividends distributed in 2020 attributable to the increase in the retained earnings at the beginning of 2018 as a result of initial adoption of IFRS 9 when calculating the tax on unappropriated earnings for 2018.

b. Current tax liabilities

| | December 31 | |
|-------------------------|--------------------|-------------------|
| | 2020 | 2019 |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 426,345</u> | <u>\$ 317,778</u> |

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

| Deferred Tax Assets | Opening Balance | Recognized in Profit or Loss | Closing Balance |
|---------------------------------|------------------------|-------------------------------------|------------------------|
| Temporary differences | <u>\$ -</u> | <u>\$ 15,214</u> | <u>\$ 15,214</u> |
| Deferred Tax Liabilities | Opening Balance | Recognized in Profit or Loss | Closing Balance |
| Temporary differences | <u>\$ 5,136</u> | <u>\$ 1,714</u> | <u>\$ 6,850</u> |

For the year ended December 31, 2019

| Deferred Tax Liabilities | Opening Balance | Recognized in Profit or Loss | Closing Balance |
|--|----------------------------|---|------------------------|
| Temporary differences | \$ <u>610</u> | \$ <u>4,526</u> | \$ <u>5,136</u> |
| d. Deductible temporary differences for which no deferred assets have been recognized in the consolidated balance sheets | | | |

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | 2020 | 2019 |
| Deductible temporary differences | \$ <u>214,951</u> | \$ <u>203,636</u> |
| e. The tax exemption periods for the Group's manufacture of high-order integrated circuit design-SOC, LCD Driver IC and other products are as follows: | | |

Sitronix Technology Corporation

| <u>Expansion of Construction Project</u> | <u>Tax-exemption Period</u> |
|--|-----------------------------|
| The ninth issuance of shares | 2016.01.01-2019.11.30 |

Sensortek Technology Corp.

| <u>Expansion of Construction Project</u> | <u>Tax-exemption Period</u> |
|--|-----------------------------|
| The first issuance of shares | 2016.01.01-2020.12.31 |

Forcelead Technology Corp.

| <u>Expansion of Construction Project</u> | <u>Tax-exemption Period</u> |
|--|-----------------------------|
| The first issuance of shares | 2015.01.01-2019.12.31 |

- f. Information on unrecognized deferred income tax liabilities associated with investments

As of December 31, 2020 and 2019, there were no recognized taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities were recognized.

- g. Income tax assessments

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

25. EARNINGS PER SHARE

Unit: NT\$ Per Share

| | <u>For the Year Ended December 31</u> | |
|----------------------------|---------------------------------------|-----------------|
| | 2020 | 2019 |
| Basic earnings per share | \$ <u>11.53</u> | \$ <u>10.27</u> |
| Diluted earnings per share | \$ <u>11.44</u> | \$ <u>10.17</u> |

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

Net Income for the Year

| | <u>For the Year Ended December 31</u> | |
|--|--|---------------------|
| | 2020 | 2019 |
| Net income for the year | <u>\$ 1,384,818</u> | <u>\$ 1,230,588</u> |
| Earnings used in the computation of basic earnings per share | \$ 1,384,818 | \$ 1,230,588 |
| Effect of potentially dilutive ordinary shares | | |
| Employee restricted shares | - | - |
| Employees' compensation | <u>-</u> | <u>-</u> |
| Earnings used in the computation of diluted earnings per share | <u>\$ 1,384,818</u> | <u>\$ 1,230,588</u> |

Weighted average number of ordinary shares outstanding (in thousands of shares):

| | <u>For the Year Ended December 31</u> | |
|--|--|----------------|
| | 2020 | 2019 |
| Weighted average number of ordinary shares in computation of basic earnings per share | 120,131 | 119,796 |
| Effect of potentially dilutive ordinary shares: | | |
| Employee restricted shares | - | 371 |
| Employees' compensation | <u>924</u> | <u>776</u> |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>121,055</u> | <u>120,943</u> |

Since the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were 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.

26. SHARE-BASED PAYMENT ARRANGEMENTS

Employee restricted shares

In the shareholders' meeting on June 22, 2016, the shareholders approved a restricted share plan for employees with a total amount of \$15,000 thousand, consisting of 1,500 thousand shares. The aforementioned resolution was made effective by the FSC on July 15, 2016.

The board of directors of the Company approved the issuance of 1,500 thousand shares of restricted shares awards to employees in their meeting on August 5, 2016 totaling \$15,000 thousand, with face value of \$10 for each share, and the price of each share was NT\$0 (that is, free of charge). The dates of issuance and distribution were both August 5, 2016, and the fair value of the shares on the date of distribution was \$103.5.

After the employees have been awarded the restricted shares awards, if the employees remain employed by the Company at the end of the vesting periods in the table below, without violate any laws, labor contracts, work rules, work regulations and other agreements with the Company, and achieved the Company's set of business objectives, the maximum number of shares awarded will be based on the proportions in the table below, however, the actual proportion awarded will be based on the attainment of the Company's operating goals.

| <u>Vesting Period</u> | <u>Proportion</u> |
|--|-------------------|
| Remain employed by the Company for one year | 25% |
| Remain employed by the Company for two years | 30% |
| Remain employed by the Company for three years | 45% |

Employees who remain employed by the Company after the expiration of the vesting period and who have not violated the labor contract, work rules, etc., and have achieved the performance requirements of the Company, may receive the new shares.

The restrictions after the aforementioned employees are awarded or subscribed new shares, but not yet vested are as follows:

- a. According to the trust agreement, after the employee acquired the new shares, the employee cannot sell, mortgage, transfer, donate, pledge, no objection to the right to buy, or other way due to disposal before the vested condition is reached. However, if there are other norms in this measure, they shall be followed.
- b. The attendance, proposals, speeches, and voting rights of the shareholders' meeting shall be executed by the trust custodian institution according to law.
- c. Employee restricted shares, after the new shares are issued, they should be immediately delivered to the trust, and the employee must not ask the trustee for any reason or manner to receive the return of the employee's rights to new shares before the vested condition is reached.
- d. The new shares issued by the Company that restrict employee rights shall be handled in the form of stock trusts, and the Company or the person designated by the company shall sign and revise the trust related contracts on behalf of all the assigned employees. If the employees violate the aforementioned provisions or terminate the Company's or the agent's authorization to manage the trust before the vested conditions are met, the Company has the right to withdraw the shares from the trust with no charge and cancel those shares.

Relevant information on new shares of restricted employee share awards issued is as follows:

| | Number of Shares (In Thousands of Shares) |
|------------------------|--|
| | <u>2019</u> |
| Balance at January 1 | 659 |
| Vested | (573) |
| Cancelled | <u>(86)</u> |
| Balance at December 31 | <u><u>-</u></u> |

Compensation costs recognized (reversed) were \$16,782 thousand for the years ended December 31, 2019, respectively.

The Company had been acquired and canceled the employee's restricted shares in August, 2019.

Issuance of shares from cash capital increase reserved for employees' subscription - Sensortek Technology Corp.

The board of directors of Sensortek Technology Corp. decided to increase its cash capital for the initial listing of shares in ordinary shares on OTC market on March 17, 2020, and reserved 393 thousand shares for employees' subscription. The grant date of the shares is May 25, 2020.

The Black-Scholes pricing model was used to calculate the fair value of the shares; the input values used in the option pricing model are as follows:

| | |
|-------------------------------------|-----------------|
| | May 2020 |
| Measurement date share price (NT\$) | \$ 583.89 |
| Exercise price (NT\$) | \$ 498 |
| Expected volatility rate | 53.39% |
| Option life | 0.02 years |
| Risk-free interest rate | 0.25% |
| Fair value of stock options (NT\$) | \$ 86.27 |

Compensation costs recognized that are related to Sensortek Technology Corp.'s issuance of shares from the cash capital increase reserved for employees' subscription amounted to \$33,904 thousand for the year ended December 31, 2020.

Employee share option plan of Sync-Tech System Corp.

On June 25, 2019 and December 9, 2015, the board of directors of Sync-Tech System Corp. approved the issuance of 2,000 thousand and 3,000 thousand units of employee share option certificates, respectively, and each unit of share option certificate can be exchanged for 1 ordinary share. The share option certificates can be issued all at once or split into several issues after the approval date of the board of directors, the actual issuance date is to be fixed by the Chairman. Eligible employees are limited to full-time employees within Sync-Tech System Corp. The holder of the share option certificates can exercise the options at any time after the date of issuance.

| | <u>2019-Year Share Option Plan</u> | | <u>2015-Year Share Option Plan</u> | |
|------------------------|--|--|--|--|
| | Number of Shares (In Thousands) | Weighted- average Exercise Price (NT\$) | Number of Shares (In Thousands) | Weighted- average Exercise Price (NT\$) |
| <u>2020</u> | | | | |
| Balance at January 1 | - | \$ - | - | \$ - |
| Options granted | 132 | 10.00 | 759 | 10.00 |
| Options exercised | (116) | 10.00 | (699) | 10.00 |
| Options forfeited | <u>(16)</u> | - | <u>(60)</u> | - |
| Balance at December 31 | <u>-</u> | - | <u>-</u> | - |

Per the employee share option plan of 2019, Sync-Tech System Corp. distributed 132 thousand units of employee share option certificates to its employees on June 23, 2020. The Black-Scholes pricing Model was used to calculate the fair values of the employee share options, and the input values used are summarized as follows:

| | June 2020 |
|---------------------------------|------------------|
| Grant date share price (NT\$) | \$ 10.93 |
| Exercise price (NT\$) | \$ 10.00 |
| Expected volatility rate | 12.31% |
| Option life (in years) | 0.09 years |
| Dividend yield | - |
| Risk-free interest rate | 0.35% |
| Share options fair value (NT\$) | \$ 0.93 |

Per the employee share option plan of 2015, Sync-Tech System Corp. distributed 759 thousand units of employee share option certificates to its employees on June 23, 2020. The Black-Scholes pricing Model was used to calculate the fair values of the employee share options, and the input values used are summarized as follows:

| | June 2020 |
|---------------------------------|------------------|
| Grant date share price (NT\$) | \$ 10.93 |
| Exercise price (NT\$) | \$ 10.00 |
| Expected volatility rate | 12.31% |
| Option life (in years) | 0.09 years |
| Dividend yield | - |
| Risk-free interest rate | 0.35% |
| Share options fair value (NT\$) | \$ 0.93 |

| | <u>2019-Year Share Option Plan</u> | | <u>2015-Year Share Option Plan</u> | |
|------------------------|--|--|--|--|
| | Number of Shares (In Thousands) | Weighted- average Exercise Price (NT\$) | Number of Shares (In Thousands) | Weighted- average Exercise Price (NT\$) |
| <u>2019</u> | | | | |
| Balance at January 1 | - | \$ - | - | \$ - |
| Options granted | 37 | 10.00 | 612 | 10.00 |
| Options exercised | (26) | 10.00 | (612) | 10.00 |
| Options forfeited | <u>(11)</u> | - | <u>-</u> | - |
| Balance at December 31 | <u><u>-</u></u> | - | <u><u>-</u></u> | - |

Per the employee share option plan of 2019, Sync-Tech System Corp. distributed 37 thousand units of employee share option certificates to its employees on November 12, 2019. The Black-Scholes pricing Model was used to calculate the fair values of the employee share options, and the input values used are summarized as follows:

| | November 2019 |
|---------------------------------|----------------------|
| Grant date share price (NT\$) | \$ 8.72 |
| Exercise price (NT\$) | \$ 10.00 |
| Expected volatility rate | 30.47% |
| Option life (in years) | 0.11 years |
| Dividend yield | - |
| Risk-free interest rate | 0.60% |
| Share options fair value (NT\$) | \$ 0.04 |

Per the employee share option plan of 2015, Sync-Tech System Corp. distributed 612 thousand units of employee share option certificates to its employees on November 12, 2019. The Black-Scholes pricing Model was used to calculate the fair values of the employee share options, and the input values used are summarized as follows:

| | November 2019 |
|---------------------------------|----------------------|
| Grant date share price (NT\$) | \$ 8.72 |
| Exercise price (NT\$) | \$ 10.00 |
| Expected volatility rate | 32.27% |
| Option life (in years) | 5 years |
| Dividend yield | - |
| Risk-free interest rate | 0.60% |
| Share options fair value (NT\$) | \$ 2.13 |

Compensation costs of Sync-Tech System Corp.'s employee share option plans were \$829 thousand and \$1,305 thousand for the years ended December 31, 2020 and 2019, respectively.

Issuance of shares from cash capital increase reserved for employee subscription of Sync - Tech System Corp.

The board of directors of Sync-Tech system Corp. decided to increase the capital in cash on December 18, 2020, and reserved 200 thousand shares for employees to subscribe. The grant date is December 18, 2020.

The Black-Scholes pricing model was used to calculate the fair values, the input values used in the option pricing model are as follows:

| | December 2020 |
|-------------------------------------|----------------------|
| Measurement date share price (NT\$) | \$ 55.73 |
| Exercise price (NT\$) | \$ 70.00 |
| Expected volatility rate | 31.18% |
| Option life (in years) | 0.083 years |
| Dividend yield | - |
| Risk-free interest rate | 0.1787% |
| Stock options fair value(NT\$) | \$ 0.0102 |

The board of directors of Sync-Tech system Corp. decided to increase the capital in cash on June 25, 2019, and reserved 150 thousand shares for employees to subscribe. The grant date is June 25, 2019.

The Black-Scholes pricing model was used to calculate the fair values, the input values used in the option pricing model are as follows:

| | June 2019 |
|-------------------------------------|------------------|
| Measurement date share price (NT\$) | \$ 5.95 |
| Exercise price (NT\$) | \$ 12.00 |
| Expected volatility rate | 33.57% |
| Option life (in years) | 0.1 years |
| Dividend yield | - |
| Risk-free interest rate | 0.60% |
| Stock options fair value(NT\$) | \$ - |

Compensation costs related to Sync-Tech System Corp.'s issuance of shares from the cash capital increase reserved for employee subscription recognized were \$2 thousand and \$0 for the year ended December 31, 2020 and 2019.

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On July 26 2019, the Group subscribed for additional new shares of HeFei Sitronix Co., Ltd. at a percentage different from its existing ownership percentage, increasing its continuing interest from 84.00% to 90.00%.

On February 15 2019, the Group subscribed for additional new shares of HeFei Sitronix Co., Ltd. at a percentage different from its existing ownership percentage, increasing its continuing interest from 75.00% to 84.00%.

On June 4, 2020, the Group subscribed for additional new shares of Sensortek Technology Corp. at a percentage different from its existing ownership percentage, decreasing its continuing interest from 50.34% to 46.06%.

Due to partial disposal of Sensortek Technology Corp.'s shares on June 1, 2020, the shareholding ratio decreased from 50.44% to 50.34%.

Due to partial disposal of Sensortek Technology Corp.'s shares on May 22, 2019, the shareholding ratio decreased from 51.18% to 50.44%.

Due to the distribution of employees' compensation in the form of shares by Sensortek Technology Corp. on March 4, 2019, the Group's shareholding percentage decreased from 53.93% to 51.18%.

On December 24, 2020, as the Group repurchased all of the shares of Forcelead Technology Corp., the shareholding ratio increased from 83.86% to 100%.

Due to the distribution of employees' compensation in the form of shares by Forcelead Technology Corp. on June 24, 2020, the Group's shareholding percentage decreased from 84.14% to 83.86%.

On September 18, 2019, as the Group repurchased some of the shares of Forcelead Technology Corp., the shareholding ratio increased from 75.72% to 84.14%.

Due to the distribution of employees' compensation in the form of shares by Forcelead Technology Corp. on June 24, 2019, the Group's shareholding percentage decreased from 75.83% to 75.72%.

On July 27, 2020, due to the Sync-Tech system Corp.'s employees execute options to issue new shares, the Group's shareholding percentage decreased from 50.80% to 48.75%.

On December 23, 2019, due to the Sync-Tech system Corp.'s employees execute options to issue new shares, the Group's shareholding percentage decreased from 52.53% to 50.80%.

On July 29, 2019, the Group subscribed for additional new shares of Sync-Tech system Corp. at a percentage different from its existing ownership percentage, decreasing its continuing interest from 55.11% to 52.53%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

2020

| | Sensortek Technology Corp. | Forcelead Technology Corp. | Sync-Tech System Corp. |
|---|---|---|-----------------------------------|
| Cash consideration paid | \$ - | \$ (228,550) | \$ - |
| Cash consideration received | 2,158,474 | - | 8,150 |
| Non-cash transaction | 33,904 | 2,032 | 831 |
| The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests | <u>(1,284,809)</u> | <u>93,921</u> | <u>(9,447)</u> |
| Differences recognized from equity transactions | <u>\$ 907,569</u> | <u>\$ (132,597)</u> | <u>\$ (466)</u> |
| <u>Line items adjusted for equity transactions</u> | | | |
| Capital surplus - changes in percentage of ownership interests in subsidiaries | \$ 890,637 | \$ 347 | \$ (466) |
| Capital surplus - the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition | 16,932 | (16,932) | - |
| Retained earnings | <u>-</u> | <u>(116,012)</u> | <u>-</u> |
| | <u>\$ 907,569</u> | <u>\$ (132,597)</u> | <u>\$ (466)</u> |

2019

| | Sensortek Technology Corp. | Forcelead Technology Corp. | Sync-Tech System Corp. | HeFei Sitronix Corp. |
|--|---|---|-----------------------------------|---------------------------------|
| Cash consideration paid | \$ - | \$ (211,328) | \$ - | \$ - |
| Cash consideration received | 72,406 | - | 20,253 | - |
| Exchange differences on translating the financial statements of foreign operations | - | - | - | 34 |
| Non-cash transaction | 47,587 | 793 | 1,305 | - |
| The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests | <u>(50,721)</u> | <u>49,033</u> | <u>(18,786)</u> | <u>1,637</u> |
| Differences recognized from equity transactions | <u>\$ 69,272</u> | <u>\$ (161,502)</u> | <u>\$ 2,772</u> | <u>\$ 1,671</u> |
| | | | | (Continued) |

| | Sensortek Technology Corp. | Forcelead Technology Corp. | Sync-Tech System Corp. | HeFei Sitronix Corp. |
|---|---|---|-----------------------------------|---------------------------------|
| Line items adjusted for equity transactions | | | | |
| Capital surplus - changes in percentage of ownership interests in subsidiaries | \$ 16,672 | \$ (44) | \$ 2,772 | \$ 1,671 |
| Capital surplus - the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition | 52,600 | (54,641) | - | - |
| Retained earnings | - | (106,817) | - | - |
| | <u>\$ 69,272</u> | <u>\$ (161,502)</u> | <u>\$ 2,772</u> | <u>\$ 1,671</u> |

(Concluded)

28. CASH FLOW INFORMATION

a. Changes in liabilities arising from financing activities

2020

| | Opening Balance | Cash Flows | Non-cash Changes | | | Closing Balance |
|-----------------------------|-------------------|--------------------|---------------------------|------------------|-----------------|-------------------|
| | | | Foreign Exchange Movement | New Leases | Others (Note) | |
| Short-term borrowings | \$ 278,814 | \$ (15,654) | \$ 4,616 | \$ - | \$ - | \$ 267,776 |
| Lease liabilities | 65,262 | (38,456) | 182 | 53,710 | 1,475 | 82,173 |
| Guarantee deposits received | <u>219,002</u> | <u>20,539</u> | <u>(9,476)</u> | <u>-</u> | <u>-</u> | <u>230,065</u> |
| | <u>\$ 563,078</u> | <u>\$ (33,571)</u> | <u>\$ (4,678)</u> | <u>\$ 53,710</u> | <u>\$ 1,475</u> | <u>\$ 580,014</u> |

2019

| | Opening Balance | Cash Flows | Non-cash Changes | | | Closing Balance |
|-----------------------------|-------------------|---------------------|---------------------------|------------------|-----------------|-------------------|
| | | | Foreign Exchange Movement | New Leases | Others (Note) | |
| Short-term borrowings | \$ 476,168 | \$ (194,149) | \$ (3,205) | \$ - | \$ - | \$ 278,814 |
| Lease liabilities | 85,269 | (34,277) | (1,147) | 13,559 | 1,858 | 65,262 |
| Guarantee deposits received | <u>168,060</u> | <u>58,221</u> | <u>(7,279)</u> | <u>-</u> | <u>-</u> | <u>219,002</u> |
| | <u>\$ 729,497</u> | <u>\$ (170,205)</u> | <u>\$ (11,631)</u> | <u>\$ 13,559</u> | <u>\$ 1,858</u> | <u>\$ 563,078</u> |

Note: Other comprises with interest expense of lease liabilities and variance of lease liabilities due to lease modification.

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

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.

30. FINANCIAL INSTRUMENTS

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

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

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

1) Fair value hierarchy

December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|-------------------|-------------------|---------------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Domestic corporate funds | \$ 481,295 | \$ - | \$ - | \$ 481,295 |
| Convertible bonds | - | 50,819 | - | 50,819 |
| Derivative financial assets | | | | |
| Credit linked notes - linked with Convertible bonds | - | 81,133 | - | 81,133 |
| Foreign exchange forward contracts | - | 24,483 | - | 24,483 |
| | <u>\$ 481,295</u> | <u>\$ 156,435</u> | <u>\$ -</u> | <u>\$ 637,730</u> |
| <u>Financial assets at FVTOCI</u> | | | | |
| Investments in equity instruments at FVTOCI | | | | |
| Domestic listed shares | \$ 555,680 | \$ - | \$ - | \$ 555,680 |
| Foreign listed shares | 36,847 | - | - | 36,847 |
| Domestic unlisted equity investments | - | - | 37,485 | 37,485 |
| Foreign unlisted equity investments | - | - | 515,919 | 515,919 |
| Investments in debt instruments at FVTOCI | | | | |
| Foreign corporate bonds | <u>179,665</u> | <u>-</u> | <u>-</u> | <u>179,665</u> |
| | <u>\$ 772,192</u> | <u>\$ -</u> | <u>\$ 553,404</u> | <u>\$ 1,325,596</u> |
| <u>Financial liabilities at FVTPL</u> | | | | |
| Derivatives | <u>\$ -</u> | <u>\$ 4,390</u> | <u>\$ -</u> | <u>\$ 4,390</u> |

December 31, 2019

| | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|-------------------|-------------------|--------------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Foreign listed shares | \$ 31,513 | \$ - | \$ - | \$ 31,513 |
| Domestic corporate funds | 31,131 | - | - | 31,131 |
| Domestic listed shares | 8,275 | - | - | 8,275 |
| Convertible bonds | - | 75,822 | - | 75,822 |
| Derivative financial assets | | | | |
| Credit linked notes - linked with Convertible bonds | - | 34,017 | - | 34,017 |
| Foreign exchange forward contracts | - | 2,308 | - | 2,308 |
| | <u>\$ 70,919</u> | <u>\$ 112,147</u> | <u>\$ -</u> | <u>\$ 183,066</u> |
| <u>Financial assets at FVTOCI</u> | | | | |
| Investments in equity instruments at FVTOCI | | | | |
| Domestic listed shares | \$ 323,364 | \$ - | \$ - | \$ 323,364 |
| Foreign unlisted equity investments | - | - | 716,631 | 716,631 |
| Investments in debt instruments at FVTOCI | | | | |
| Foreign corporate bonds | 14,903 | - | - | 14,903 |
| | <u>\$ 338,267</u> | <u>\$ -</u> | <u>\$ 716,631</u> | <u>\$1,054,898</u> |
| <u>Financial liabilities at FVTPL</u> | | | | |
| Derivatives | \$ - | \$ 178 | \$ - | \$ 178 |

There were no transfers between Levels 1 and Level 2 in 2020 and 2019.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

| <u>Financial Instruments</u> | <u>Valuation Techniques and Inputs</u> |
|---|--|
| Convertible bonds | Based on the public market quotes provided by third-party agencies. |
| Credit linked notes - linked with Convertible bonds | Based on the public market quotation of convertible bond, the parameters of the repurchase, the coupon interest and the interest compensation are considered as the basis for fair value measurement. |
| Derivatives - foreign exchange forward contracts and Cross-currency swap contracts | Discounted cash flow method: Estimate the future cash flow at the end of the period by observing the forward exchange rate and the exchange rate and interest rate set by the contract, and have already discounted the discount rate of each counterparty's credit risk. |

3) Valuation techniques and inputs applied for Level 3 fair value measurement

Foreign unlisted equity investments are evaluated by the method of net asset value. The management of the Group evaluates the target of such equity investments with the active market quotation, and the net asset amount tends to the fair value of the equity investments.

4) Adjustment of financial instruments measured using Level 3 fair values

The Group's financial assets under level 3 fair value measurement are equity instruments measured at fair value through other comprehensive income.

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Balance at January 1 | \$ 716,631 | \$ 619,107 |
| Additions | 30,000 | - |
| Disposals | (24,596) | (49,190) |
| Recognized under other comprehensive income | <u>(168,631)</u> | <u>146,714</u> |
| Balance at December 31 | <u>\$ 553,404</u> | <u>\$ 716,631</u> |

c. Categories of financial instruments

| | December 31 | |
|--|--------------------|-------------|
| | 2020 | 2019 |
| <u>Financial assets</u> | | |
| Financial assets at FVTPL | | |
| Mandatorily classified as at FVTPL | \$ 637,730 | \$ 183,066 |
| Financial assets at amortized cost (1) | 8,660,147 | 6,134,390 |
| Financial assets at FVTOCI | | |
| Equity instruments | 1,145,931 | 1,039,995 |
| Debt instruments | 179,665 | 14,903 |

Financial liabilities

| | | |
|---|-----------|-----------|
| Financial liabilities at FVTPL | | |
| Held for trading | 4,390 | 178 |
| Financial liabilities at amortized cost (2) | 3,364,218 | 3,184,117 |

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, time deposits with original maturity of more than 3 months, pledge fixed deposit, notes receivable and trade receivables (including receivables from related parties), other receivables, other current assets and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, accounts payable, other payables, other payables to related parties and other current liabilities.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, trade payables and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, 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 seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

There has been no change in the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Group's operating activities are partially denominated in foreign currencies and thus have partial natural hedging effects.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 36.

Sensitivity analysis

The Group was mainly exposed to the USD, JPY and CNY.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e. the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in pre-tax profit and other equity associated with the New Taiwan dollar weakening (strengthening) 5% against the relevant currency.

| | <u>USD Impact</u> | | <u>JPY Impact</u> | | <u>CNY Impact</u> | |
|----------------|---------------------------|-------------|---------------------------|-------------|---------------------------|-------------|
| | <u>For the Year Ended</u> | | <u>For the Year Ended</u> | | <u>For the Year Ended</u> | |
| | <u>December 31</u> | | <u>December 31</u> | | <u>December 31</u> | |
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Profit or loss | \$ (1,572) | \$ 4,424 | \$ (82) | \$ (342) | \$ 11 | \$ 140 |

b) Interest rate risk

The Group was exposed to interest rate risk because the Group borrowed funds at both fixed and floating interest rates.

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

| | <u>December 31</u> | |
|-------------------------------|--------------------|--------------|
| | 2020 | 2019 |
| Fair value interest rate risk | | |
| Financial assets | \$ 5,964,863 | \$ 3,327,980 |
| Financial liabilities | 267,776 | - |
| Cash flow interest rate risk | | |
| Financial assets | 1,174,741 | 1,284,402 |
| Financial liabilities | - | 278,814 |

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 reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 0.1% 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 increase/decrease by \$1,175 thousand and \$1,006 thousand, which was mainly attributable to the Group's exposure to interest rates on variable-rate net assets. The Group's pre-tax other comprehensive income for the year ended December 31, 2020 and 2019 would decrease/increase by \$180 thousand and \$15 thousand, respectively, which was mainly a result of the changes in the fair value of investments in fixed-rate debt instruments at FVTOCI.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities and mutual funds investment. The Group does not actively trade these investments. The Group's equity price is concentrated in equity instrument operating in semiconductor industry, finance and insurance industry, and Exchange Traded Fund quoted in the Taiwan Stock Exchange and Taipei Exchange.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax income for the years ended December 31, 2020 and 2019 would have increased/decreased by \$24,065 thousand and \$3,546 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL. Pre-tax other comprehensive income for the year ended December 31, 2020 and 2019 would have increased/decreased by \$29,626 thousand and \$16,168 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

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. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause 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 total of the following the carrying amount of the respective recognized financial assets as stated in the balance sheets.

To mitigate credit risk, the management of the Group assigns a dedicated team responsible for credit line decisions, credit approvals and other monitoring procedures to ensure appropriate actions are taken for the collections of overdue receivables. In addition the Group reviews conditions on each collecting receivable to ensure the uncollectible amounts are provided with appropriate impairment losses. Accordingly, the management of the Group believes that the credit risk of the Group has been significantly reduced.

In addition, since the counterparties of liquidity and derivative financial instruments are banks with sound credit ratings, the credit risk is limited.

Apart from customers whose accounts receivable constitute more than 10% of the Group's total accounts receivable, the Group did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group's concentration of credit risk was 18% and 15% of total trade receivables as of December 31, 2020 and 2019, respectively. The credit risk is minimal because the customers which account for more than 10% of the Group's accounts receivable balance are creditworthy companies.

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. As of December 31, 2020 and 2019, the Group had available unutilized short-term bank loan facilities set out in (c) below.

a) Liquidity and interest rate risk tables 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 included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were 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 | Total |
|---|---|-------------------|-------------------------------|------------------|--------------|
| <u>Non-derivative financial liabilities</u> | | | | | |
| Non-interest bearing liabilities | \$ 1,076,737 | \$ 1,342,306 | \$ 677,277 | \$ - | \$ 3,096,320 |
| Lease liabilities | 3,797 | 6,245 | 22,184 | 55,598 | 87,824 |
| Fixed interest rate liabilities | 267,898 | - | - | - | 267,898 |

December 31, 2019

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | Total |
|---|---|-------------------|-------------------------------|------------------|--------------|
| <u>Non-derivative financial liabilities</u> | | | | | |
| Non-interest bearing liabilities | \$ 953,871 | \$ 1,486,781 | \$ 464,200 | \$ - | \$ 2,904,852 |
| Lease liabilities | 2,815 | 6,004 | 25,727 | 31,628 | 66,174 |
| Variable interest rate liabilities | - | 279,265 | - | - | 279,265 |

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

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2020

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years |
|------------------------------------|---|--------------------|-------------------------------|------------------|
| Foreign exchange forward contracts | | | | |
| Inflows | \$ 685,666 | \$ 1,705,097 | \$ - | \$ - |
| Outflows | <u>(679,810)</u> | <u>(1,690,860)</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 5,856</u> | <u>\$ 14,237</u> | <u>\$ -</u> | <u>\$ -</u> |

December 31, 2019

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years |
|------------------------------------|---|-------------------|-------------------------------|------------------|
| Foreign exchange forward contracts | | | | |
| Inflows | \$ 60,810 | \$ 420,728 | \$ 59,918 | \$ - |
| Outflows | <u>(59,960)</u> | <u>(419,406)</u> | <u>(59,960)</u> | <u>-</u> |
| | <u>\$ 850</u> | <u>\$ 1,322</u> | <u>\$ (42)</u> | <u>\$ -</u> |

c) Financing facilities

| | December 31 | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Unsecured bank overdraft facilities, reviewed annually and payable on demand: | | |
| Amount used | \$ 272,513 | \$ 291,777 |
| Amount unused | <u>5,038,407</u> | <u>4,116,906</u> |
| | <u>\$ 5,310,920</u> | <u>\$ 4,408,683</u> |

The amount of used bank facilities includes a performance guarantee of NT\$4,737 thousand and NT\$12,963 thousand, which were guaranteed by the bank in respect of the Customs bookkeeping and Industrial Development Bureau guarantee letter opened by the Group as of December 31, 2020 and 2019, respectively.

e. Financial asset transfer information

The relevant information of the Group for the sale of accounts receivable is as follows:

For the Year Ended December 31, 2019

| Counterparty | Amount of Sales as of Previous Period | Receivables Sold | Amount Collected | Credit Line (In USD Thousands) |
|------------------------------|--|-------------------------|-------------------------|---------------------------------------|
| Taipei Fubon Commercial Bank | <u>\$ 22,000</u> | <u>\$ -</u> | <u>\$ 22,000</u> | <u>USD 1,500</u> |

Under the terms of the contract for sale, losses arising from commercial disputes (such as return or discount of sales, etc.) shall be borne by the Group, and losses arising from credit risk shall be borne by such banks.

31. TRANSACTIONS WITH RELATED PARTIES

In addition to those disclosed in other notes, detail of transactions between the Group and related parties are disclosed below.

a. Related party name and category

| <u>Related Party Name</u> | <u>Related Party Category</u> |
|--|--------------------------------------|
| Silicon Power Computer & Communications Inc. | Substantive related party |
| ezGlobal Corp. | Substantive related party |
| Vincent Mao | The Group's key management personnel |
| Wen Bin Lin | The Group's key management personnel |
| Chun Sheng Lin | The Group's key management personnel |
| I Hsi Cheng | The Group's key management personnel |
| Wei Wang | The Group's key management personnel |
| Shu Fang Xu | The Group's key management personnel |
| Meng Huang Liu | The Group's key management personnel |

(Continued)

| <u>Related Party Name</u> | <u>Related Party Category</u> |
|---------------------------|--------------------------------------|
| Zheng Long Jiang | The Group's key management personnel |
| Xi Hao Zhong | The Group's key management personnel |
| Min Hwei Jhang | The Group's key management personnel |
| Ru Hung Chen | The Group's key management personnel |
| Jian-Yuan Jhao | The Group's key management personnel |
| Da-Hu Su | The Group's key management personnel |

(Concluded)

b. Sales of goods

| <u>Related Party Category</u> | <u>For the Year Ended December 31</u> | |
|-------------------------------|---------------------------------------|-----------------|
| | <u>2020</u> | <u>2019</u> |
| Substantive related party | <u>\$ 2,051</u> | <u>\$ 1,124</u> |

The transactions for related parties were negotiated under the terms of general transactions and prices.

c. Operating expenses

| <u>Related Party Category</u> | <u>For the Year Ended December 31</u> | |
|-------------------------------|---------------------------------------|---------------|
| | <u>2020</u> | <u>2019</u> |
| Substantive related party | <u>\$ 2,383</u> | <u>\$ 122</u> |

The transaction in which the Group made payments of operating expenses to a related party was subject to a contractual agreement as there is no similar transaction for comparison.

d. Receivables from related parties

| <u>Related Party Category</u> | <u>Line Item</u> | <u>December 31</u> | |
|-------------------------------|--|--------------------|---------------|
| | | <u>2020</u> | <u>2019</u> |
| Substantive related party | Accounts receivable from related parties | <u>\$ 872</u> | <u>\$ 454</u> |

The outstanding accounts receivable from related parties were unsecured. No impairment losses were recognized for accounts receivable from related parties as of December 31, 2020 and 2019.

e. Payables to related parties

| <u>Related Party Category</u> | <u>Line Item</u> | <u>December 31</u> | |
|-------------------------------|-----------------------------------|--------------------|--------------|
| | | <u>2020</u> | <u>2019</u> |
| Substantive related party | Other payables to related parties | <u>\$ 1,051</u> | <u>\$ 98</u> |

The outstanding trade payables to related parties are unsecured.

f. Property transactions

December 31, 2020

| Related Party Category | Line Item | Number of Shares | Underlying Asset | Acquisition Price |
|--------------------------------------|------------------|-------------------------|---|--------------------------|
| The Group's key management personnel | Note | 2,168,997 | Securities - Forcelead Technology Corp. | <u>\$ 78,084</u> |

December 31, 2019

| Related Party Category | Line Item | Number of Shares | Underlying Asset | Acquisition Price |
|--------------------------------------|------------------|-------------------------|---|--------------------------|
| The Group's key management personnel | Note | 1,158,000 | Securities - Forcelead Technology Corp. | <u>\$ 74,112</u> |

Note: In December 2020 and September 2019, transactions in which the Group obtained financial assets from related parties were subject to contractual agreements as there were no similar transaction for comparison. Please refer to Note 27.

g. Rental arrangements

| Related Party Category | For the Year Ended December 31 | |
|--|---------------------------------------|---------------|
| | 2020 | 2019 |
| Lease expense Substantive related party | <u>\$ -</u> | <u>\$ 105</u> |

The terms of the transactions involving the payment of rental expenses to related parties were calculated based on the contractual agreements as there were no similar transactions for comparison.

h. Lease arrangement - the Group is lessor

Future lease receivables are as follows:

| Related Party Category | December 31 | |
|-------------------------------|--------------------|---------------|
| | 2020 | 2019 |
| Substantive related party | <u>\$ 508</u> | <u>\$ 508</u> |

Lease income was as follows:

| Related Party Category | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|-----------------|
| | 2020 | 2019 |
| Substantive related party | <u>\$ 2,037</u> | <u>\$ 2,037</u> |

The terms of transactions between the Group and its related parties for the collection of rent are based on the terms of contractual agreements as there were no similar transactions for comparison.

| Related Party Category | For the Year Ended December 31 | |
|--------------------------------|---------------------------------------|-------------|
| | 2020 | 2019 |
| <u>Deposit interest</u> | | |
| Substantive related party | <u>\$ 4</u> | <u>\$ 4</u> |
| i. Guarantee deposits received | | |

| Related Party Category | December 31 | |
|-------------------------------|--------------------|---------------|
| | 2020 | 2019 |
| Substantive related party | <u>\$ 356</u> | <u>\$ 356</u> |

The guarantee deposits received are mainly generated from the rental deposit.

j. Remuneration of key management personnel

| | For the Year Ended December 31 | |
|------------------------------|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Short-term employee benefits | \$ 155,896 | \$ 169,884 |
| Share-based payment | 5,955 | 6,612 |
| Post-employment benefits | <u>1,956</u> | <u>1,947</u> |
| | <u>\$ 163,807</u> | <u>\$ 178,443</u> |

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and the Group's profits.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the tariff of imported raw materials guarantees:

| | December 31 | |
|------------------|--------------------|-------------------|
| | 2020 | 2019 |
| Pledged deposits | <u>\$ 605,590</u> | <u>\$ 498,424</u> |

Pledged deposits are classified as financial assets measured at amortized cost - current.

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

On December 16, 2020, Sensortek Technology Corp. signed a sale and purchase agreement for the office on the 10th floor and parking spaces of Building U, Phase 8 of Taiyuan Science and Technology Park with Winsome Development Co., Ltd. for a total amount of \$448,000 thousand (tax included). As of December 31, 2020, the amount of \$313,600 thousand was still unpaid for.

On December 25, 2020, Sensortek Technology Corp. signed sale and purchase agreements for the office on the 11th floor and parking spaces of Building U, Phase 8 of Taiyuan Science and Technology Park, with

Winsome Development Co., Ltd. and Tai Yuan Textile Co., Ltd., respectively, with total amounts of \$445,000 thousand (tax included) and \$23,000 thousand (tax included). As of December 31, 2020, the amounts of \$439,692 thousand and \$23,000 thousand, respectively, was still unpaid for.

34. OTHER MATTERS

Due to the impact of the COVID-19 pandemic, some of the Group's entities's operating income decreased in 2020. With the easing of the epidemic and loosening of government policies, the Group expects that operations will gradually return to normal.

35. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On March 18, 2021, the Company's board of directors resolved to spin off the automotive business division (the division) and relevant assets (including assets, liabilities and business) to 100% owned subsidiary, Forcelead Technology Corp. The Company expects that the operating value of the division will be \$108,000 thousand, and Forcelead Technology Corp. will issue 3,000,000 new ordinary shares, with a par value of \$10, at \$36 per share as the consideration. If there is still a shortage from the proceeds of the issuance of shares, within 30 days after the completion of the change registration, Forcelead Technology Corp. would make a lump-sum payment to the Company based on the operating value of the shares in exchange for the shortage. If the actual and expected operating value of the division were different on the spin-off completion date, the Company and Forcelead Technology Corp. would compensate each other with cash. The spin-off completion date is set as June 1, 2021, tentatively.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group'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 | | 2019 | |
| | Foreign Currency | Exchange Rate | Foreign Currency | Exchange Rate |
| <u>Financial assets</u> | | | | |
| Monetary items | | | | |
| USD | \$ 84,528 | 28.480 | \$ 92,987 | 29.980 |
| CNY | 48 | 4.377 | 651 | 4.305 |
| JPY | 41,418 | 0.2763 | 60,251 | 0.2760 |
| Non-monetary items | | | | |
| USD | 25,050 | 28.480 | 26,471 | 29.980 |
| <u>Financial liabilities</u> | | | | |
| Monetary items | | | | |
| USD | 85,632 | 28.480 | 90,036 | 29.980 |
| JPY | 47,374 | 0.2763 | 85,029 | 0.2760 |

The Group is mainly exposed to the USD, CNY and JPY. The following information was aggregated by the functional currencies of the Group, and the exchange rates between the respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

| Foreign Currency | For the Year Ended December 31 | | | |
|---------------------|---|--------------------|---|-----------------|
| | 2020 | | 2019 | |
| Exchange Rate | Net Foreign Exchange Gains (Losses) | Exchange Rate | Net Foreign Exchange Gains (Losses) | |
| NTD | 1 (NTD:NTD) | \$ (38,838) | 1 (NTD:NTD) | \$ 7,479 |
| CNY | 4.377 (CNY:NTD) | <u>(1,933)</u> | 4.305 (CNY:NTD) | <u>(50)</u> |
| | | <u>\$ (40,771)</u> | | <u>\$ 7,429</u> |

37. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. information on investees:

- 1) Financing provided to others: Table 1 (attached)
- 2) Endorsements/guarantees provided: Table 2 (attached)
- 3) Marketable securities held (excluding investment in subsidiaries): Table 3 (attached)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: Table 5 (attached)
- 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: Table 6 (attached)
- 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: Note 7 and Note 30.
- 10) Intercompany relationships and significant intercompany transactions: Table 7 (attached)
- 11) Information on investees: Table 8 (attached)

c. Information on investments in mainland China: Table 9 and 10 (attached)

In the preparation of consolidated financial statements, major transactions between parent and subsidiary companies and their balances have been fully eliminated.

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

38. SEGMENT INFORMATION

a. Segment revenues, results and assets

The operating decision makers of the Group use the distribution of resources and the evaluation of segment performance to focus on the financial information of the Group as a whole, while individual companies have similar economic characteristics, and individual companies have used similar processes to produce similar products and sell them through the same sales method, so the Company and its subsidiaries are reported by the single operating department.

The Company and its subsidiaries provide the segment information reviewed by the operating decision maker on the same basis as the financial statements, and the profit and loss, assets and liabilities of the operating department are measured on the same basis as the combined financial Report preparation. Therefore, the segment income and operating results to be reported in 2020 and 2019 can be referenced by the combined consolidated income and loss Statement for 2020 and 2019.

Segment assets that should be reported can be found in the consolidated balance sheets for the years ended December 31, 2020 and 2019.

b. Revenue from major products and services

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

| | For the Year Ended December 31 | |
|---------------------|---------------------------------------|----------------------|
| | 2020 | 2019 |
| Integrated circuits | \$ 13,376,966 | \$ 13,584,346 |
| Others | <u>427,596</u> | <u>218,392</u> |
| Total | <u>\$ 13,804,562</u> | <u>\$ 13,802,738</u> |

c. Geographical information

The Group's net operating revenue from external customers by location based on the location the goods were shipped as designated by the customers and information about its non-current assets by location of assets are detailed below.

| | Revenue from External Customers | | Non-current Assets | |
|-----------|--|----------------------|---------------------------|---------------------|
| | For the Year Ended December 31 | | December 31 | |
| | 2020 | 2019 | 2020 | 2019 |
| Hong Kong | \$ 12,003,719 | \$ 11,817,629 | \$ - | \$ - |
| Taiwan | 897,710 | 673,515 | 1,324,603 | 1,212,574 |
| Vietnam | 428,111 | 563,043 | - | - |
| China | 211,671 | 365,382 | 71,034 | 49,659 |
| Others | <u>263,351</u> | <u>383,169</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 13,804,562</u> | <u>\$ 13,802,738</u> | <u>\$ 1,395,637</u> | <u>\$ 1,262,233</u> |

Non-current assets exclude financial instruments and other tax assets.

d. Information about major customers

Single customers who contributed 10% or more to the Group's revenue were as follows:

| | For the Year Ended December 31 | | | |
|------------|---------------------------------------|--|---------------|--|
| | 2020 | | 2019 | |
| | Amount | Percentage of Total Sales (%) | Amount | Percentage of Total Sales (%) |
| Customer A | \$ 760,576 | 6 | \$ 1,832,091 | 13 |

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Lender | Borrower | Financial Statement Account | Related Parties | Highest Balance for the Period | Ending Balance | Actual Amount Borrowed | Interest Rate | Nature of Financing | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower | Aggregate Financing Limits |
|-----|-------------|----------------------------|--|-----------------|--------------------------------|----------------|------------------------|---------------|---------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|-----------------------------------|----------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 0 | The Company | mCore Technology Corp. | Other receivables from related parties | Yes | \$ 100,000 | \$ 100,000 | \$ 6,579 | 0.89% | For financing | \$ - | Working capital | \$ - | - | \$ - | \$ 1,328,228 | \$ 2,656,455 |
| | | Forcelead Technology Corp. | Other receivables from related parties | Yes | 100,000 | 100,000 | - | - | For financing | - | Working capital | - | - | - | 1,328,228 | 2,656,455 |
| | | Infinno Technology Corp. | Other receivables from related parties | Yes | 100,000 | 100,000 | 46,565 | 0.89%-0.91% | For financing | - | Working capital | - | - | - | 1,328,228 | 2,656,455 |
| | | Sync-Tech System Corp. | Other receivables from related parties | Yes | 100,000 | 100,000 | - | - | For financing | - | Working capital | - | - | - | 1,328,228 | 2,656,455 |

Note 1: The description is as follows

- Lender is numbered as 0.
- Investee is numbered sequentially from 1.

Note 2: According to the "Financing providing and operation management method", the total amount and the available amount to any individual for lending are as follows:

- The total amount for lending shall not exceed forty percent of SITRONIX's net worth. However the total amount lendable to any subsidiary for short-term financing could upper to the total available amount of the company.
- The total amount for lending to or lending from any directly or indirectly hold foreign subsidiaries with 100% ownership, shall not exceed 40% of the net worth of the lending company. The total amount for lending to any individual shall not exceed 50% of the total available amount.
- Where funds are lent to a company or business with business relationships with the Company, the total amount for lending to any individual shall not exceed the amount of business transaction between the two parties. Amount of business transaction defines the highest amount of purchase or sales.
- The total amount for lending to any individual shall not exceed 50% of the Company's net worth for the company or firm that needs short-term financing.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2020

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

| No. (Note 1) | Endorser/ Guarantor | Endorsee/Guarantee | | Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Amount Borrowed | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit (Note 2) | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China |
|-----------------|------------------------|----------------------------|--------------|--|--|---|---------------------------|--|--|---|---|---|---|
| | | Name | Relationship | | | | | | | | | | |
| 0 | The Company | Forcelead Technology Corp. | Subsidiary | \$ 3,320,569 | \$ 300,000 | \$ 300,000 | \$ 142,400 | \$ - | 4.52 | \$ 3,320,569 | Yes | - | - |
| | | mCore Technology Corp. | Subsidiary | 3,320,569 | 100,000 | 100,000 | 22,805 | - | 1.51 | 3,320,569 | Yes | - | - |
| | | Infinno Technology Corp. | Subsidiary | 3,320,569 | 100,000 | 100,000 | 5,696 | - | 1.51 | 3,320,569 | Yes | - | - |
| | | HeFei Sitronix Co., Ltd. | Subsidiary | 3,320,569 | 400,000 | 400,000 | 95,209 | - | 6.02 | 3,320,569 | Yes | - | Yes |

Note 1: The description is as follows

1. Lender is numbered as 0.
2. Investee is numbered sequentially from 1.

Note 2: According to the “endorsement guarantee operation management measures” of Sitronix Technology Corp. the total amount of endorsement guarantee shall not exceed 50% of the net value of the most recent year’s financial statements audited by CPA. The amount of endorsement guarantee for a single enterprise shall not exceed 25% of the net value of the most recent year’s financial statements audited by CPA. However, the amount of endorsement guarantee for a company that directly and indirectly holds more than 50% of the voting shares of the company shall not exceed 50% of the net value of the most recent year’s financial statements audited by CPA..

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

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

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2020 | | | | Note |
|----------------------|--|---------------------------------------|--|---------------------------|-----------------|-----------------------------|------------|--------|
| | | | | Number of Shares (Note 5) | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| The Company | <u>Bond</u> | | | | | | | |
| | FORCAY 3.375% 04/22/2025, USD bond | - | Financial assets at amortized cost - non-current | - | \$ 28,923 | - | \$ 28,923 | Note 2 |
| | Savior Lifetec Corporation Second Secured Convertible Bond | - | Financial assets at fair value through profit or loss - current | - | 36,196 | - | 36,196 | Note 1 |
| | Honhai 2.25% 09/23/2021, USD bond | - | Investments in debt instruments at fair value through other comprehensive income - current | - | 14,376 | - | 14,376 | Note 1 |
| | Chang Wah Electromaterials Inc. Fourth Unsecured Convertible Bond | - | Financial assets at fair value through profit or loss - current | - | 8,995 | - | 8,995 | Note 1 |
| | APAQ Technology Co., Ltd. Second Credit Linked Structured Product | - | Financial assets at fair value through profit or loss - current | - | 3,314 | - | 3,314 | Note 1 |
| | Episil - Precision Inc. Third Credit Linked Structured Product | - | Financial assets at fair value through profit or loss - non-current | - | 7,036 | - | 7,036 | Note 1 |
| | YangMing Marine Transport Corp. fifth Credit Linked Structured Product | - | Financial assets at fair value through profit or loss - current | - | 30,009 | - | 30,009 | Note 1 |
| | <u>Fund</u> | | | | | | | |
| | KGI Taiwan Assets Fund | - | Financial assets at fair value through profit or loss - current | 10,004 | 103,470 | - | 103,470 | Note 1 |
| | TAISHIN JU LONG Fund | - | Financial assets at fair value through profit or loss - current | 4,323 | 50,274 | - | 50,274 | Note 1 |
| | <u>Stock</u> | | | | | | | |
| | SILICON POWER COMPUTER & COMMUNICATIONS INC. | - | Investments in equity instruments at fair value through other comprehensive income - current | 4,149 | 107,659 | - | 107,659 | Note 1 |
| | TAISHIN FINANCIAL HOLDING CO., LTD. Preferred Share E (2) | - | Investments in equity instruments at fair value through other comprehensive income - current | 181 | 9,303 | - | 9,303 | Note 1 |
| | Kowng lung Preferred Shares A | - | Investments in equity instruments at fair value through other comprehensive income - current | 345 | 17,354 | - | 17,354 | Note 1 |
| | WPG Holdings Limited Preferred Shares A | - | Investments in equity instruments at fair value through other comprehensive income - current | 400 | 20,040 | - | 20,040 | Note 1 |
| | ASE Technology Holding Co., Ltd. | - | Investments in equity instruments at fair value through other comprehensive income - current | 140 | 11,382 | - | 11,382 | Note 1 |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2020 | | | | Note |
|-----------------------------|--|---------------------------------------|--|---------------------------|-----------------|-----------------------------|------------|--------|
| | | | | Number of Shares (Note 5) | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| The Company | Chailease Holding Company Limited Preferred Share A | - | Investments in equity instruments at fair value through other comprehensive income - current | 500 | \$ 49,800 | - | \$ 49,800 | Note 1 |
| | WT Microelectronics Co., Ltd. Preferred Share A | - | Investments in equity instruments at fair value through other comprehensive income - current | 1,000 | 48,550 | - | 48,550 | Note 1 |
| | EPD (Enterprise Products Partners) | - | Investments in equity instruments at fair value through other comprehensive income - current | 66 | 36,847 | - | 36,847 | Note 1 |
| | <u>Equity Investment</u> HANS GLOBAL SELECT FUND LIMITED | - | Investments in equity instruments at fair value through other comprehensive income - non-current | 120 | 267,431 | - | 267,431 | Note 3 |
| | Fong Huang Innovation Investment CO., LTD. | - | Investments in equity instruments at fair value through other comprehensive income - non-current | 3,000 | 37,485 | - | 37,485 | Note 3 |
| Sitronix Investment Corp. | <u>Equity Investment</u> HANS GLOBAL SELECT FUND LIMITED | - | Investments in equity instruments at fair value through other comprehensive income - non-current | 112 | 248,488 | - | 248,488 | Note 3 |
| Senserteck Technology Corp. | <u>Bond</u> CHLEAS 3.75% 10/22/2023 USD bond | - | Investments in debt instruments at fair value through other comprehensive income - non-current | - | 58,583 | - | 58,583 | Note 1 |
| | YangMing Marine Transport Corp. fifth Credit Linked Structured Product | - | Financial assets at fair value through profit or loss - current | - | 30,010 | - | 30,010 | Note 1 |
| | China Huadian Corporation 3.375% 06/23/2025 USD bond | - | Investments in debt instruments at fair value through other comprehensive income - non-current | - | 29,156 | - | 29,156 | Note 1 |
| | MIC fourth Unsecured Convertible Bond | - | Financial assets at fair value through profit or loss - current | - | 5,628 | - | 5,628 | Note 1 |
| | <u>Fund</u> KGI Taiwan Assets Fund | - | Financial assets at fair value through profit or loss - current | 20,009 | 206,949 | - | 206,949 | Note 1 |
| | TAISHIN JU LONG Fund | - | Financial assets at fair value through profit or loss - current | 4,323 | 50,273 | - | 50,273 | Note 1 |
| | TAISHIN 1699 Currency Market Fund | - | Financial assets at fair value through profit or loss - current | 3,665 | 50,013 | - | 50,013 | Note 1 |
| | <u>Stock</u> WT Microelectronics Co., Ltd. Preferred Share A | - | Investments in equity instruments at fair value through other comprehensive income - current | 2,000 | 97,100 | - | 97,100 | Note 1 |
| | FuBon Preference Share | - | Investments in equity instruments at fair value through other comprehensive income - current | 800 | 49,840 | - | 49,840 | Note 1 |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2020 | | | | Note |
|-------------------------------------|--|---------------------------------------|--|---------------------------|-----------------|-----------------------------|------------|--------|
| | | | | Number of Shares (Note 5) | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Senserteck Technology Corp. | Chailease Holding Company Limited Preferred Shares A | - | Investments in equity instruments at fair value through other comprehensive income - current | 500 | \$ 49,800 | - | \$ 49,800 | Note 1 |
| | Far Eastern New Century Corporation | - | Investments in equity instruments at fair value through other comprehensive income - current | 675 | 19,541 | - | 19,541 | Note 1 |
| | Tai Shin Financial Holding Co., Ltd. Preferred Shares E | - | Investments in equity instruments at fair value through other comprehensive income - current | 338 | 17,779 | - | 17,779 | Note 1 |
| | Uni-President | - | Investments in equity instruments at fair value through other comprehensive income - current | 250 | 16,875 | - | 16,875 | Note 1 |
| | First Financial Holding Co., Ltd. | - | Investments in equity instruments at fair value through other comprehensive income - current | 730 | 15,586 | - | 15,586 | Note 1 |
| | Taiwan Cement Ltd. | - | Investments in equity instruments at fair value through other comprehensive income - current | 360 | 15,552 | - | 15,552 | Note 1 |
| | Sitronix Technology Corp. | - | Investments in equity instruments at fair value through other comprehensive income - non-current | 138 | 22,425 | - | 22,425 | Note 1 |
| Forcelead Technology Corp. | <u>Bond</u> Tong Ming Enterprise Co., Ltd. First Credit Linked Structured Product | - | Financial assets at fair value through profit or loss - current | - | 10,764 | - | 10,764 | Note 1 |
| | <u>Fund</u> TAISHIN JU LONG Fund | - | Financial assets at fair value through profit or loss - current | 1,747 | 20,316 | - | 20,316 | Note 3 |
| | <u>Share</u> WPG Holdings Limited Preferred Share A | - | Investments in equity instruments at fair value through other comprehensive income - current | 190 | 9,519 | - | 9,519 | Note 1 |
| Sitronix Holding International Ltd. | <u>Bond</u> AT&T INC 5.35% 11/01/66 (TBB) USD bond | - | Investments in debt instruments at fair value through other comprehensive income - non-current | - | 19,102 | - | 19,102 | Note 1 |
| | China Huadian Corporation 3.375% 06/23/2025 USD bond | - | Investments in debt instruments at fair value through other comprehensive income - non-current | - | 29,156 | - | 29,156 | Note 1 |
| | Chailease Finance 3.75% 10/22/2023 USD bond | - | Investments in debt instruments at fair value through other comprehensive income - non-current | - | 29,292 | - | 29,292 | Note 1 |

(Continued)

Note 1: Calculated based on the closing price on December 31, 2020.

Note 2: Listed based on book value.

Note 3: Calculated based on the net value on December 31, 2020.

Note 4: As of December 31, 2020, the above listed marketable securities were neither provided as guarantee nor pledged as collateral for loans.

Note 5: The number of shares/units are in thousands.

Note 6: The marketable securities listed in the table above refer to the securities, bonds, beneficiary certificates and securities that fall within the scope of IFRS 9 “Financial Instruments”.

(Concluded)

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | |
|----------------------------|---|--|--------------|--------------|---------------------------|--------|---------------------------|------------|---------------------------|--------|-----------------|-------------------------|---------------------------|-----------------|
| | | | | | Number of Shares (Note 1) | Amount | Number of Shares (Note 1) | Amount | Number of Shares (Note 1) | Amount | Carrying Amount | Gain (Loss) on Disposal | Number of Shares (Note 1) | Amount (Note 2) |
| Sensortek Technology Corp. | <u>Fund</u> KGI Taiwan Assets Fund | Financial assets at fair value through profit or loss - current | - | - | - | \$ - | 20,009 | \$ 200,000 | - | \$ - | \$ - | \$ - | 20,009 | \$ 206,949 |
| | <u>Stock</u> WT Microelectronics Co., Ltd. Preferred Share A | Investments in equity instruments at fair value through other comprehensive income - current | - | - | - | - | 2,000 | 100,000 | - | - | - | - | 2,000 | 97,100 |

Note 1: The number of shares/units are in thousands.

Note 2: The amount at the end of the period includes the relevant adjustment items of financial assets.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer | Property | Event Date | Transaction Amount | Payment Status | Counterparty | Relationship | Information on Previous Title Transfer If Counterparty Is A Related Party | | | | Pricing Reference | Purpose of Acquisition | Other Terms |
|---------------------------|--------------------|------------|--------------------|----------------|-------------------------------------|--------------|---|--------------|------------------|--------|---|------------------------|-------------|
| | | | | | | | Property Owner | Relationship | Transaction Date | Amount | | | |
| Sensortek Technolgy Corp. | Land and Buildings | 2020.12.16 | \$ 448,000 | \$ 134,400 | Winsome Development Company Limited | - | - | - | - | \$ - | Real estate appraisal report and board resolution | Working capital | - |
| | Land and Buildings | 2020.12.25 | 445,000 | 5,308 | Winsome Development Company Limited | - | - | - | - | - | Real estate appraisal report and board resolution | Working capital | - |
| | Land and Buildings | 2020.12.25 | 23,000 | - | Tai Yuen Textile Co., Ltd. | - | - | - | - | - | Real estate appraisal report and board resolution | Working capital | - |

Note: The payment was listed under property under construction.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020

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

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|-------------|----------------------------|--------------|---------------------|------------|------------|--|----------------------|---------------|-------------------------------------|------------|------|
| | | | Purchase/Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % of Total | |
| The Company | Sensortek Technology Corp. | Subsidiary | Purchase | \$ 628,201 | 16 | After acceptance net 60 days from monthly closing date | \$ - | - | \$ 157,072 | 15 | - |

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

| No. | Investee Company | Counterparty | Relationship | Transaction Details | | | |
|-----|----------------------------|--|---|-------------------------------|-----------|---------------|----------------------------|
| | | | | Financial Statement Account | Amount | Payment Terms | % of Total Sales or Assets |
| 0 | The Company | Sensortek Technology Corp. | from the parent company to the subsidiary | Sales | \$ 30,815 | - | - |
| | | | | Purchases | 628,201 | - | 5 |
| | | | | Rental income | 4,348 | - | - |
| | | | | Expertise | 78,691 | - | 1 |
| | | | | Accounts receivable | 5,950 | - | - |
| | | | | Other receivables | 2,613 | - | - |
| | | | | Accounts payable | 157,072 | - | 1 |
| | | Forcelead Technology Corp. | from the parent company to the subsidiary | Sales | 10,243 | - | - |
| | | | | Rental income | 1,733 | - | - |
| | | | | Other receivables | 2,618 | - | - |
| | | | | Accounts receivable | 1,993 | - | - |
| | | Infino Technology Corp. | from the parent company to the subsidiary | Sales | 7,937 | - | - |
| | | | | Rental income | 1,733 | - | - |
| | | | | Accounts receivable | 1,425 | - | - |
| | | | | Other receivables | 50,483 | - | - |
| | | mCore Technology Corp. | from the parent company to the subsidiary | Sales | 10,387 | - | - |
| | | | | Purchases | 19,624 | - | - |
| | | | | Rental income | 2,215 | - | - |
| | | | | Accounts receivable | 1,936 | - | - |
| | | | | Other receivables | 6,898 | - | - |
| | | Sync-Tech System Corp. | from the parent company to the subsidiary | Sales | 3,469 | - | - |
| | | | | Other payables | 10,323 | - | - |
| | | | | Rental income | 10,555 | - | - |
| | | | | Property, plant and equipment | 10,000 | - | - |
| | | | | Manufacturing expenses | 49,860 | - | - |
| | | Sitronix Technology (Shenzhen) Co., Ltd. | from the parent company to the subsidiary | Professional service fees | 112,124 | - | 1 |
| 1 | Forcelead Technology Corp. | Sync-Tech System Corp. | from the subsidiary to the subsidiary | Manufacturing expenses | 6,671 | - | - |

Note 1: The purchase transactions of the Company and its subsidiaries, their trading prices and collection conditions, are not significantly different from those of non-subsidiaries, and the rest of the transactions with the subsidiaries are calculated in accordance with the contractual agreements.

Note 2: The transaction of the Forcelead Technology Corp. and the Sync-Tech System Corp. is calculated according to mutual agreements.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
 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 (Foreign Currencies in Thousands) | | Balance as of December 31, 2020 | | | Net Income (Loss) of the Investee | Share of (Loss) Profit |
|-------------------------------------|---------------------------------------|-----------------------|--|--|----------------------|---------------------------------------|--------------------------------------|--------------------|---|---------------------------|
| | | | | December 31, 2020 | December 31, 2019 | Number of Shares (In Thousands) | Percentage of Ownership (%) | Carrying Amount | | |
| The Company | Sitronix Investment Corp. | Taiwan | Investment | \$ 367,270 | \$ 367,270 | 33,249 | 100.00 | \$ 266,799 | \$ (7,362) | \$ (7,362) |
| | Forcelead Technology Corp. | Taiwan | R&D and sales of small-size LCD driver IC and touch-integrated driver IC | 789,634 | 561,059 | 39,337 | 100.00 | 600,941 | 123,269 | 104,723 |
| | Sensortek Technology Corp. | Taiwan | R&D, design and sales of sensor integrated circuit products | 113,318 | 97,581 | 22,530 | 46.06 | 2,009,211 | 1,365,454 | 653,335 |
| | mCore Technology Corp. | Taiwan | Providing solutions for consumer display and voice/audio related applications. | 131,074 | 131,074 | 9,583 | 90.73 | 119,246 | 24,138 | 21,901 |
| | Sync-Tech System Corp. | Taiwan | Design, Manufacturing and Maintenance of Probe card | 99,127 | 99,127 | 9,844 | 48.75 | 142,340 | 103,904 | 51,705 |
| | Infinno Technology Corp. | Taiwan | Comprehensive line of Power supervisor IC design | 164,505 | 164,505 | 13,290 | 63.99 | 30,938 | (15,372) | (9,837) |
| | ezGreen Inc. | Taiwan | Software design and electronic information supply services | 60,000 | 30,000 | 6,000 | 100.00 | 24,294 | (22,176) | (22,176) |
| | Sitronix Technology (Belize) Corp. | Belize city, Belize | International trade | - | 56,960 | 2,000 | 100.00 | - | 973 | 973 |
| Sitronix Holding International Ltd. | Samoa | Investment | 56,960 | 56,960 | 2,000 | 100.00 | 79,262 | 1,893 | 1,893 | |
| | | | (USD 2,000) | (USD 2,000) | | | | | | |
| Sitronix Investment Corp. | Sensortek Technology Corp. | Taiwan | R&D, design and sales of sensor integrated circuit products | 10 | 10 | 2 | - | 213 | 1,365,454 | 67 |
| | Infinno Technology Corp. | Taiwan | Comprehensive line of Power supervisor IC design | 10 | 10 | - | - | 1 | (15,372) | - |
| | Forcelead Technology Corp. | Taiwan | R&D and sales of small-size LCD driver IC and touch-integrated driver IC | - | 10 | - | - | - | 123,269 | 5 |
| Sitronix Technology (Belize) Corp. | Sitronix Technology (Mauritius) Corp. | Republic of Mauritius | International trade | - | USD 2,000 | 2,000 | 100.00 | - | 1,029 | 1,029 |

Note 1: Foreign currencies is converted into NTD using the exchange rates of the US dollar to NTD on December 31, 2020.

Note 2: Sitronix Technology (Belize) Corp. has applied for liquidation and dissolution during 2020, and its share capital and surplus have been repatriated.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company | Main Businesses and Products | Paid-in Capital (Foreign Currencies in Thousands) | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020 (Foreign Currencies in Thousands) | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (Foreign Currencies in Thousands) | Net Income (Loss) of the Investee | % Ownership for Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2020 | Accumulated Repatriation of Investment Income as of December 31, 2020 |
|--|--|---|----------------------|---|---|--------|---|-----------------------------------|---|---------------------------------|---|---|
| | | | | | Outward (Foreign Currencies in Thousands) | Inward | | | | | | |
| Sitronix Technology (Shenzhen) Co., Ltd. | Computer software and hardware development, sales and after-sales service business and related technical consulting services | \$ 11,392 (USD 400) | Note 1 | \$ 11,392 (USD 400) | \$ - | \$ - | \$ 11,392 (USD 400) | \$ 1,526 | 100 | \$ 1,526 | \$ 19,308 | \$ 10,237 |
| HeFei ezGreen Co., Ltd. | Design, sales and technical services of Supplier management software development | 21,885 (CNY 5,000) | Note 4 | 8,754 (CNY 2,000) | 13,131 (CNY 3,000) | - | 21,885 (CNY 5,000) | (5,203) | 100 | (5,203) | 13,262 | - |
| HeFei Sitronix Co., Ltd. | R&D, design, sales and technical services of integrated circuits and system hardware and software | 109,425 (CNY 25,000) | Note 5 | 98,483 (CNY 22,500) | - | - | 98,483 (CNY 22,500) | 39,558 | 90 | 35,602 | 171,956 | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (Foreign Currencies in Thousands) | Investment Amount Authorized by the Investment Commission, MOEA (Foreign Currencies in Thousands) | Upper Limit on the Amounts of Investment Stipulated by Investment Commission, MOEA |
|---|---|--|
| \$ 128,530 (US\$ 4,513) | \$ 243,504 (US\$ 8,550) | \$3,984,683 |

Note 1: Direct Investment, as of December 31, 2020, the total investment amount approved by the Investment Commission, MOEA, is US\$400 thousand, and the investment amount of US\$400 thousand has been remitted.

Note 2: Foreign currencies are converted into NTD using the exchange rates of the US dollar and CNY to NTD on December 31, 2020.

Note 3: According to the Investment Commission, MOEA, 60% of the net value of investments in mainland China is set.

Note 4: Direct Investment, as of December 31, 2020, the total investment amount approved by the Investment Commission, MOEA, is CNY 10,000 thousand, and the investment amount of CNY5,000 thousand has been remitted.

Note 5: Direct Investment, as of December 31, 2020, the total investment amount approved by the Investment Commission, MOEA, is CNY 45,000 thousand, and the investment amount of CNY22,500 thousand has been remitted.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

FOR THE YEAR ENDED DECEMBER 31, 2020

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

| Investor Company | Investee Company | Transaction Type | Total Operating Expenses | | Price | Transaction Details | | Notes/Accounts Receivable (Payable) | | Unrealized (Gain) Loss | Note |
|------------------|--|---------------------------|--------------------------|---|----------------------------------|----------------------------------|---|-------------------------------------|---|------------------------|------|
| | | | Amount | % | | Payment Terms | Comparison with Normal Transactions | Ending Balance | % | | |
| The Company | Sitronix Technology (Shenzhen) Co., Ltd. | Professional service fees | \$ 112,124 | 7 | Calculated based on the contract | Calculated based on the contract | No related similar transactions to follow | \$ - | - | \$ - | - |

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Sitronix Technology Corporation

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the 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 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 financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the 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 matters of the Company's parent company only financial statements for the year ended December 31, 2020 are stated as follows:

Recognition of sales revenue

The Company's main source of revenue comes from the sale of goods. For the year ended December 31, 2020, the revenue recognized was NT\$7,327,386 thousand, please refer to Notes 4 and 22 for information on the accounting policies of revenue recognition. Such revenue is recognized when the goods are transferred to the customer and the performance obligations are met. The revenue recognition process is that after receiving customers' order and checking the transaction conditions, the business unit creates a manufacturing notice in the system, and enters into the production schedule after obtaining the approval from the supervisor. As soon as the production is completed, the production unit would issue packing lists and invoices from the system, the Company would obtain signed packing list or the bill of lading from the shipping companies when those

shipping companies pick up the goods, then the system would check the shipping-related information, to generate the sales details. The accounting officers would recognize sales revenue according to the sales details.

We have assessed that the customers of the Company whose revenue had changed significantly for 2020 to be subject to the risk of validity of revenue recognition. Therefore, in order to confirm the validity of the Company's revenue recognition, we performed the following audit procedures on the sales transactions of these customers:

1. We understood the internal controls over revenue recognition, evaluated the design of the key controls, determined whether the controls have been implemented and tested the operating effectiveness of the controls.
2. We sampled and inspected the validity of the background information of customers that had significant changes in the annual sales revenue growth rate and understood the reasonableness of such customers' credit terms.
3. We sampled and inspected whether an original purchase order existed for each sale and was approved appropriately.
4. We inspected product names and quantities on notifications of manufacturing, invoices and goods receipt and inspected the amounts to ensure they were consistent.
5. We inspected the reasonableness of collection of accounts receivable and whether the collection amounts and counterparties were consistent with the revenue recognized.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 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 audit resulting in this independent auditors' report are Cheng Chih Lin and Yu Feng Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 18, 2021

Notice to Readers

The accompanying 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 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 financial statements shall prevail.

SITRONIX TECHNOLOGY CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

| ASSETS | 2020 | | 2019 | | LIABILITIES AND EQUITY | 2020 | | 2019 | |
|---|---------------------|------------|---------------------|------------|---|---------------------|------------|---------------------|------------|
| | Amount | % | Amount | % | | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | CURRENT LIABILITIES | | | | |
| Cash and cash equivalents (Notes 4, 6 and 30) | \$ 1,682,165 | 19 | \$ 1,317,028 | 17 | Short-term borrowings (Notes 4, 18, 28 and 30) | \$ 247,776 | 3 | \$ 278,814 | 4 |
| Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30) | 256,741 | 3 | 117,604 | 1 | Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 30) | 4,390 | - | 178 | - |
| Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 30) | 315,311 | 3 | 315,609 | 4 | Trade payables (Note 30) | 864,290 | 9 | 1,214,318 | 16 |
| Financial assets at amortized cost - current (Notes 4, 9, 30 and 32) | 83,004 | 1 | 149,355 | 2 | Payables to related parties (Notes 30 and 31) | 157,122 | 2 | 185,166 | 2 |
| Notes receivables and trade receivables (Notes 4, 10, 22 and 30) | 776,212 | 8 | 846,153 | 11 | Accrued profit sharing bonus to employees' compensation and remuneration of directors (Note 23) | 161,683 | 2 | 143,029 | 2 |
| Notes receivables and trades receivables from related parties (Notes 4, 22, 30 and 31) | 12,832 | - | 16,216 | - | Other payables (Notes 19 and 30) | 534,545 | 6 | 360,317 | 5 |
| Other receivables (Notes 4, 10 and 30) | 61,681 | 1 | 55,014 | 1 | Other payables to related parties (Notes 30 and 31) | 11,373 | - | 11,804 | - |
| Other receivables from related parties (Notes 4, 30 and 31) | 62,884 | 1 | 67,223 | 1 | Current tax liabilities (Notes 4 and 24) | 185,296 | 2 | 104,623 | 1 |
| Inventories (Notes 4, 5 and 11) | 834,755 | 9 | 1,017,895 | 13 | Lease liabilities - current (Notes 4, 14, 28, 30 and 31) | 13,163 | - | 23,973 | - |
| Prepayments (Note 17) | 81,129 | 1 | 93,587 | 1 | Other current liabilities (Notes 19, 22 and 30) | 74,485 | 1 | 26,391 | - |
| Other current assets (Notes 4, 17 and 30) | 6,503 | - | 3,631 | - | | | | | |
| Total current assets | 4,173,217 | 46 | 3,999,315 | 51 | Total current liabilities | 2,254,123 | 25 | 2,348,613 | 30 |
| NON-CURRENT ASSETS | | | | | NON-CURRENT LIABILITIES | | | | |
| Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 30) | 7,036 | - | 34,487 | - | Deferred tax liabilities (Notes 4 and 24) | 6,850 | - | 5,136 | - |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 30) | 304,916 | 3 | 398,845 | 5 | Lease liabilities - non-current (Notes 4, 14, 28, 30 and 31) | 2,409 | - | 13,006 | - |
| Financial assets at amortized cost - non-current (Notes 4, 9 and 30) | 58,534 | 1 | 30,542 | - | Net defined benefit liabilities - non-current (Notes 4 and 20) | 44,877 | - | 46,646 | 1 |
| Investment accounted for using the equity method (Notes 4, 12, 27 and 31) | 3,477,557 | 39 | 2,390,668 | 30 | Other non-current liabilities (Notes 28, 30 and 31) | 52,538 | 1 | 36,740 | - |
| Property, plant and equipment (Notes 4, 13 and 31) | 422,019 | 5 | 416,017 | 5 | Total non-current liabilities | 106,674 | 1 | 101,528 | 1 |
| Right-of-use assets (Notes 4, 14 and 31) | 16,515 | - | 39,763 | 1 | Total liabilities | 2,360,797 | 26 | 2,450,141 | 31 |
| Investment properties (Notes 4 and 15) | 467,787 | 5 | 526,960 | 7 | EQUITY (Notes 4, 21, 26 and 27) | | | | |
| Intangible assets (Notes 4 and 16) | 19,659 | - | 30,291 | - | Share capital | | | | |
| Deffered tax assets - non-current (Notes 4 and 24) | 15,214 | - | - | - | Ordinary shares | 1,201,369 | 13 | 1,201,369 | 15 |
| Other non-current assets (Notes 4, 17 and 30) | 39,481 | 1 | 49,153 | 1 | Capital surplus | 1,662,839 | 19 | 772,321 | 10 |
| Total non-current assets | 4,828,718 | 54 | 3,916,726 | 49 | Retained earnings | | | | |
| | | | | | Legal reserve | 1,082,588 | 12 | 959,529 | 12 |
| | | | | | Special reserve | 77,526 | 1 | 251,947 | 3 |
| | | | | | Unappropriated earnings | 2,805,919 | 31 | 2,358,260 | 30 |
| | | | | | Total retained earnings | 3,966,033 | 44 | 3,569,736 | 45 |
| | | | | | Other equity | | | | |
| | | | | | Exchange differences on translating the financial statement of foreign operations | (10,444) | - | (9,688) | - |
| | | | | | Unrealized gain (loss) on financial assets at fair value through other comprehensive income | (169,780) | (2) | (67,838) | (1) |
| | | | | | Total other equity | (180,224) | (2) | (77,526) | (1) |
| | | | | | Treasury shares | (8,879) | - | - | - |
| | | | | | Total equity | 6,641,138 | 74 | 5,465,900 | 69 |
| TOTAL | \$ 9,001,935 | 100 | \$ 7,916,041 | 100 | TOTAL | \$ 9,001,935 | 100 | \$ 7,916,041 | 100 |

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

SITRONIX TECHNOLOGY CORPORATION

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)

| | 2020 | | 2019 | |
|--|------------------|-----------|------------------|-----------|
| | Amount | % | Amount | % |
| NET REVENUE (Notes 4, 22 and 31) | \$ 7,327,386 | 100 | \$ 8,306,120 | 100 |
| OPERATING COSTS (Notes 4, 11, 20, 23 and 31) | <u>5,345,432</u> | <u>73</u> | <u>6,485,879</u> | <u>78</u> |
| GROSS PROFIT | <u>1,981,954</u> | <u>27</u> | <u>1,820,241</u> | <u>22</u> |
| OPERATING EXPENSES (Notes 4, 20, 23 and 31) | | | | |
| Selling and marketing expenses | 158,233 | 2 | 169,487 | 2 |
| General and administrative expenses | 266,778 | 3 | 196,595 | 2 |
| Research and development expenses | <u>1,092,895</u> | <u>15</u> | <u>1,088,913</u> | <u>13</u> |
| Total operating expenses | <u>1,517,906</u> | <u>20</u> | <u>1,454,995</u> | <u>17</u> |
| OTHER OPERATING INCOME AND EXPENSES _s (Notes 4, 23 and 31) | <u>93,172</u> | <u>1</u> | <u>9,805</u> | <u>-</u> |
| INCOME FROM OPERATIONS | <u>557,220</u> | <u>8</u> | <u>375,051</u> | <u>5</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Interest incomes (Notes 4, 23 and 31) | 13,177 | - | 18,849 | - |
| Other incomes (Notes 4, 23 and 31) | 52,820 | 1 | 57,598 | 1 |
| Other gains and lossess (Notes 4, 23 and 31) | 68,709 | 1 | 14,166 | - |
| Finance costs (Notes 4, 23 and 31) | (4,286) | - | (7,993) | - |
| Share of profit of subsidiaries (Notes 4 and 12) | <u>824,295</u> | <u>11</u> | <u>834,811</u> | <u>10</u> |
| Total non-operating income and expenses | <u>954,715</u> | <u>13</u> | <u>917,431</u> | <u>11</u> |
| INCOME BEFORE INCOME TAX | 1,511,935 | 21 | 1,292,482 | 16 |
| INCOME TAX EXPENSE (Notes 4 and 24) | <u>127,117</u> | <u>2</u> | <u>61,894</u> | <u>1</u> |
| NET INCOME FOR THE YEAR | <u>1,384,818</u> | <u>19</u> | <u>1,230,588</u> | <u>15</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 20 and 21) | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | |
| Remeasurement of defined benefit plans | (2,836) | - | 2,208 | - |
| Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income | (107,406) | (2) | 121,594 | 1 |
| Share of the other comprehensive (loss) income of subsidiaries accounted for using the equity method | (85,167) | (1) | 80,082 | 1 |

(Continued)

SITRONIX TECHNOLOGY CORPORATION

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)

| | 2020 | | 2019 | |
|--|---------------------|------------|---------------------|-----------|
| | Amount | % | Amount | % |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences on translating the financial statements of foreign operations | \$ (756) | - | \$ (8,842) | - |
| Unrealized (loss) gain on investments in debt instruments at fair value through other comprehensive income | (529) | - | 88 | - |
| Share of the other comprehensive income of subsidiaries accounted for using the equity method | <u>2,377</u> | <u>-</u> | <u>34</u> | <u>-</u> |
| Other comprehensive (loss) income for the year, net of income tax | <u>(194,317)</u> | <u>(3)</u> | <u>195,164</u> | <u>2</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 1,190,501</u> | <u>16</u> | <u>\$ 1,425,752</u> | <u>17</u> |
| EARNINGS PER SHARE (Note 26) | | | | |
| Basic | <u>\$ 11.53</u> | | <u>\$ 10.27</u> | |
| Diluted | <u>\$ 11.44</u> | | <u>\$ 10.17</u> | |

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

SITRONIX TECHNOLOGY CORPORATION

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

| | Share Capital (Note 21) | | Capital Surplus (Notes 21 and 27) | Retained Earnings (Note 21) | | | Other Equity (Notes 4, 21 and 26) | | | | |
|---|--------------------------|--------------|--------------------------------------|-----------------------------|-----------------|----------------------------|---|---|--|----------------|--------------|
| | Shares (In Thousands) | Amount | | Legal Reserve | Special reserve | Unappropriated Earnings | Exchange Differences on Translating the Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Unearned Compensation of Employees | Treasury Share | Total Equity |
| | | | | | | | | | | | |
| BALANCE AT JANUARY 1, 2019 | 120,223 | \$ 1,202,226 | \$ 761,304 | \$ 875,493 | \$ 26,644 | \$ 2,124,198 | \$ (846) | \$ (251,101) | \$ (25,652) | \$ - | \$ 4,712,266 |
| Appropriation of 2018 earnings | | | | | | | | | | | |
| Legal reserve | - | - | - | 84,036 | - | (84,036) | - | - | - | - | - |
| Special reserve | - | - | - | - | 225,303 | (225,303) | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | (601,113) | - | - | - | - | (601,113) |
| Other changes in capital surplus | | | | | | | | | | | |
| Actual acquisition or disposal of interests in subsidiaries | - | - | (2,041) | - | - | (106,817) | - | - | - | - | (108,858) |
| Changes in percentage of ownership interests in subsidiaries | - | - | 21,071 | - | - | - | - | - | - | - | 21,071 |
| Compensation cost of restricted shares for employees | - | - | - | - | - | - | - | - | 16,782 | - | 16,782 |
| Restricted employee rights, new shares are not vested | (86) | (857) | (8,013) | - | - | - | - | - | 8,870 | - | - |
| Disposal of equity instruments at fair value through other comprehensive income | - | - | - | - | - | 18,535 | - | (18,535) | - | - | - |
| Net income for the year ended December 31, 2019 | - | - | - | - | - | 1,230,588 | - | - | - | - | 1,230,588 |
| Other comprehensive income (loss) for year ended December 31, 2019, net of income tax | - | - | - | - | - | 2,208 | (8,842) | 201,798 | - | - | 195,164 |
| Total comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | - | 1,232,796 | (8,842) | 201,798 | - | - | 1,425,752 |
| BALANCE AT DECEMBER 31, 2019 | 120,137 | 1,201,369 | 772,321 | 959,529 | 251,947 | 2,358,260 | (9,688) | (67,838) | - | - | 5,465,900 |
| Appropriation of 2019 earnings | | | | | | | | | | | |
| Legal reserve | - | - | - | 123,059 | - | (123,059) | - | - | - | - | - |
| Special reserve | - | - | - | - | (174,421) | 174,421 | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | (780,890) | - | - | - | - | (780,890) |
| The Company's shares held by its subsidiary treated as treasury shares | - | - | - | - | - | - | - | - | - | (8,879) | (8,879) |
| Other changes in capital surplus | | | | | | | | | | | |
| Actual acquisition or disposal of interests in subsidiaries | - | - | - | - | - | (116,012) | - | - | - | - | (116,012) |
| Changes in percentage of ownership interests in subsidiaries | - | - | 890,518 | - | - | - | - | - | - | - | 890,518 |
| Disposal of equity instruments at fair value through other comprehensive income | - | - | - | - | - | (88,783) | - | 88,783 | - | - | - |
| Net income for the year ended December 31, 2020 | - | - | - | - | - | 1,384,818 | - | - | - | - | 1,384,818 |
| Other comprehensive income (loss) for year ended December 31, 2020, net of income tax | - | - | - | - | - | (2,836) | (756) | (190,725) | - | - | (194,317) |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | - | 1,381,982 | (756) | (190,725) | - | - | 1,190,501 |
| BALANCE AT DECEMBER 31, 2020 | 120,137 | \$ 1,201,369 | \$ 1,662,839 | \$ 1,082,588 | \$ 77,526 | \$ 2,805,919 | \$ (10,444) | \$ (169,780) | \$ - | \$ (8,879) | \$ 6,641,138 |

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

SITRONIX TECHNOLOGY CORPORATION

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 | | |
| Income before income tax | \$ 1,511,935 | \$ 1,292,482 |
| Adjustments for: | | |
| Depreciation expense | 150,336 | 149,534 |
| Amortization expense | 22,252 | 25,782 |
| Net gain on fair value changes of financial assets at fair value through profit or loss | (92,891) | (16,225) |
| Finance costs | 4,286 | 7,993 |
| Interest income | (13,177) | (18,849) |
| Dividend income | (6,701) | (13,858) |
| Compensation cost of share-based payment | - | 16,782 |
| Share of profits of subsidiaries | (824,295) | (834,811) |
| Gain on disposal of property, plant and equipment | (29,038) | (9,662) |
| Gain on disposal of investment properties | (62,396) | - |
| Write-down of inventories | 50,300 | 13,871 |
| Unrealized net loss on foreign currency exchange | 41,336 | 14,906 |
| Gain on lease modification | (10) | - |
| Deferred other income | (2,623) | - |
| Changes in operating assets and liabilities | | |
| Notes receivable and trade receivables | 66,185 | 89,432 |
| Receivables from related parties | 3,363 | 537 |
| Other receivables | (6,941) | (28,896) |
| Other receivables from related parties | (5,679) | 1,308 |
| Inventories | 132,840 | 347,200 |
| Prepayments | 12,458 | (18,492) |
| Other current assets | (2,872) | 7,054 |
| Trade payables | (350,502) | 211,622 |
| Payables to related parties | (26,709) | 86,053 |
| Other payables | 165,993 | 28,482 |
| Other payables to related parties | (431) | 5,039 |
| Other current liabilities | 48,094 | (11,243) |
| Net defined benefit liabilities | (4,605) | (2,464) |
| Accrued profit sharing bonus to employees' compensation and remuneration of directors | 18,654 | 44,706 |
| Cash generated from operations | 799,162 | 1,388,283 |
| Interest received | 13,544 | 19,093 |
| Interest paid | (4,127) | (7,623) |
| Income tax paid | (59,944) | (31,653) |
| Net cash generated from operating activities | <u>748,635</u> | <u>1,368,100</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of financial assets at fair value through other comprehensive income | (150,216) | (82,191) |
| Disposal of financial assets at fair value through other comprehensive income | 166,509 | 9,109 |
| Purchase of financial assets measured at amortized cost | (434,900) | (770,365) |
| Proceeds from the return of principle of financial assets at amortized cost | 469,826 | 787,312 |
| Purchase of financial assets at fair value through profit or loss | (381,154) | (42,996) |
| Proceeds from sale of financial assets at fair value through profit or loss | 366,571 | 49,128 |
| Acquisition of subsidiaries | (287,447) | (334,167) |

(Continued)

SITRONIX TECHNOLOGY CORPORATION

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

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Increase in prepayments for investment | \$ (30,000) | \$ (30,000) |
| Disposal of subsidiaries | 60,380 | - |
| Payments for property, plant and equipment | (109,491) | (93,220) |
| Proceeds from disposal of property, plant and equipment | 30,744 | 15,001 |
| Increase in refundable deposits | - | (1,020) |
| Decrease in refundable deposits | 873 | - |
| Decrease in other receivable from related parties | 9,547 | 19,409 |
| Payment of intangible assets | (8,617) | (15,673) |
| Proceeds from disposal of investment properties | 113,710 | - |
| Increase in prepayments for equipment | - | (12,224) |
| Dividends received | 557,765 | 149,342 |
| Disposal of expertise | <u>78,691</u> | <u>-</u> |
| Net cash generated from (used in) investing activities | <u>452,791</u> | <u>(352,555)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 3,828,791 | 2,019,901 |
| Repayments of short-term borrowings | (3,864,445) | (2,183,250) |
| Proceeds from guarantee deposits received | 18,092 | 10,374 |
| Repayment of the principal portion of lease liabilities | (24,516) | (25,030) |
| Cash dividends distributed | (780,890) | (601,113) |
| Net cash inflow on disposal of subsidiaries | <u>19,422</u> | <u>59,010</u> |
| Net cash used in financing activities | <u>(803,546)</u> | <u>(720,108)</u> |
| EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | | |
| | <u>(32,743)</u> | <u>(24,708)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 365,137 | 270,729 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>1,317,028</u> | <u>1,046,299</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 1,682,165</u> | <u>\$ 1,317,028</u> |

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

(Concluded)

SITRONIX TECHNOLOGY CORPORATION

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

Sitronix Technology Corporation (the Company) was incorporated in Taipei City, Taiwan (R.O.C.) in July 1992 and commenced operations in the same year. The principal place of business is located in Tai Yuen Hi-Tech Industrial Park, Hsinchu County. The Company operates principally as a designer, manufacturer and supplier of integrated circuits (ICs) and memory chips and focuses on display driver ICs (DDIs) for entry-level mobile phones, industrial displays and automotive systems.

The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since December 25, 2003.

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 and authorized for issue on March 18, 2021.

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

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

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would 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 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 consolidated financial statements do not include immaterial information that may obscure material information.

b. The IFRSs endorsed by the FSC for application starting from 2020

| New IFRSs | Effective Date Announced by 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 |

1) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

“Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

Hedging accounting

The amendments provide the following temporary exceptions to hedging relationships that are subject to the reform:

- a) The changes to the hedging relationship that are needed to reflect changes required by the reform are treated as a continuation of the existing hedging relationship, and do not result in the discontinuation of hedge accounting or the designation of a new hedging relationship.
- b) If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.
- c) After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- d) An entity should allocate the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and should designate the hedged benchmark rate separately.

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

| New IFRSs | 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.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate or joint venture, i.e., the Company's share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate or joint venture, i.e., the Company's share of the gain or loss is eliminated.

2) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

3) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 "Financial Instruments", were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

4) Amendments to IFRS 3 "Reference to the Conceptual Framework"

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 "Levies" to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

5) Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 "Inventories". Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of 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. The Company will restate its comparative information when it initially applies the aforementioned amendments.

6) Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

The Company will recognize the cumulative effect of the initial application of the amendments in the retained earnings at the date of the initial application.

7) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- the Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) the Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) the Company chose the accounting policy from options permitted by the standards;
- c) the accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) the accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- e) the accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

8) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop

accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the consolidated 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

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 financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities 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 an 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 an asset or liability.

When preparing the parent company only financial statements, the Company accounted for subsidiaries and associates by using the equity method. In order for the amount of net income, other comprehensive income and equity in the parent company only financial statements to agree with the amount attributable to shareholders of the parent in the consolidated financial statements, the difference in the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using the equity method, share of profits of subsidiaries and share of other comprehensive income of subsidiary in the 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; and
- 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; 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.

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 transactions in currencies other than the Company'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.

e. Inventories

Inventories consist of raw materials, work in progress, finished goods and merchandise, and are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. 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 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.

Subsidiaries are the entities controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by 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 losses.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company financial statements 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 stated at cost and subsequently stated at cost less accumulated depreciation and accumulated impairment loss.

Freehold land is not depreciated.

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 at the end of each reporting period, with the effects of any changes in 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. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Investment properties is transferred to property, plant and equipment at the carrying amount on the day when the supply for self-use begins.

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

i. 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 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) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

3) 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.

j. Impairment of property, plant and equipment, right-of-use assets, intangible assets and assets related to contract costs

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, 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. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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 asset 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 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.

k. Financial instruments

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

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) 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 fair value through profit or loss 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 settlement date basis.

a) Measurement category

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

i. Financial assets at FVTPL

Financial assets measured at FVTPL include financial assets mandatorily measured or designated as at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31.

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, accounts receivable, other receivables measured at amortized cost, and time deposits with original maturities of over 3 months, 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;
- ii) Financial assets that are not credit-impaired on purchase or origination but have 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 short-term investments or time deposits with original maturities of three months or less, 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.

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; 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.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. 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 are recognized in profit and loss when the Company's right to receive the dividends is established, unless they clearly represent a recovery of part of the cost of the investment, in which case, they are included in OCI.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and, investments in debt instruments that are measured at FVTOCI.

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of 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 Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to 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 does not reduce the carrying amount of such a financial asset.

c) Derecognition of financial assets

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

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

2) Equity instruments

Debt and 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, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

i. Financial liabilities at FVTPL

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 31.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including cross currency swaps and foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 “Financial instruments” are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

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.

1) Sale of goods

Revenue from the sale of goods comes from sales of integrated circuits. Sales of integrated circuits are recognized as revenue when the goods are delivered to the customer’s specific location 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.

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

2) Rendering of services

Service income is recognized when services are provided.

m. Leasing

At the inception of a contract, the Company assesses whether the contract is, or contain 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 the recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

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. 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. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that 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 future lease payments resulting from a change in the lease terms, 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 consolidated balance sheets.

n. Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

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 an expense 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 and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling 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 represents the actual deficit in the Company's defined benefit plan. 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.

p. Share-based payment arrangements

The fair value at the grant date of the restricted shares for employees 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 other equity - unearned employee benefits. It is recognized as an expense in full at the grant date if vested immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and should be returned, they are recognized as payables. Dividends paid to employees on restricted shares that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings and capital surplus - restricted shares for employees.

At the end of each reporting period, the Company revises its estimate of the number of restricted shares for employees 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 - restricted shares for employees.

q. Taxation

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

1) Current tax

According to the Income Tax Act, an additional tax on unappropriated earnings is provided for as income tax 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.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, research and development expenditures and personnel training expenditures 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 only recognized 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 year 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

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, estimates 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.

a. Write-down of inventories

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on current market conditions and the historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|------------------|---------------------|---------------------|
| | 2020 | 2019 |
| Bank deposits | \$ 626,366 | \$ 702,290 |
| Cash on hand | 143 | 162 |
| Cash equivalents | <u>1,055,656</u> | <u>614,576</u> |
| | <u>\$ 1,682,165</u> | <u>\$ 1,317,028</u> |

The market rate intervals of bank deposits and cash equivalents at the end of the reporting period were as follows:

| | <u>December 31</u> | |
|------------------|--------------------|--------------|
| | <u>2020</u> | <u>2019</u> |
| Bank deposits | 0.001%-0.45% | 0.001%-2.27% |
| Cash equivalents | 0.23%-0.60% | 0.51%-2.25% |

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <u>December 31</u> | |
|---|--------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Financial assets at FVTPL - current</u> | | |
| Mandatorily measured at FVTPL | | |
| Derivative financial assets | | |
| Credit linked notes - linked with convertible bonds | \$ 33,323 | \$ - |
| Foreign exchange forward contracts (a) | 24,483 | 2,308 |
| Non-derivative financial assets | | |
| Domestic mutual funds investment | 153,744 | 26,283 |
| Convertible bonds | 45,191 | 57,500 |
| Foreign listed shares | <u>-</u> | <u>31,513</u> |
| | <u>\$ 256,741</u> | <u>\$ 117,604</u> |
| <u>Financial assets at FVTPL - non-current</u> | | |
| Mandatorily measured at FVTPL | | |
| Derivative financial assets | | |
| Credit linked notes - linked with convertible bonds | \$ 7,036 | \$ 16,615 |
| Non-derivative financial assets | | |
| Convertible bonds | <u>-</u> | <u>18,322</u> |
| | <u>\$ 7,036</u> | <u>\$ 34,487</u> |
| <u>Financial liabilities at FVTPL - current</u> | | |
| Derivative financial liabilities | | |
| Foreign exchange forward contracts (a) | <u>\$ 4,390</u> | <u>\$ 178</u> |

- a. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|---------------------------------|-----------------|-----------------------|---|
| <u>December 31, 2020</u> | | | |
| Sell forward exchange contracts | USD/NTD | 2021.01.08-2021.03.24 | US\$42,000/NT\$1,194,603 |
| Buy forward exchange contracts | NTD/USD | 2021.01.06-2021.03.22 | NT\$1,174,510/US\$42,000 |

(Continued)

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|---------------------------------|-----------------|-----------------------|---|
| <u>December 31, 2019</u> | | | |
| Sell forward exchange contracts | USD/NTD | 2020.01.02-2020.03.31 | US\$10,000/NT\$301,616 |
| Buy forward exchange contracts | NTD/USD | 2020.01.31-2020.03.27 | NT\$239,526/US\$8,000 |
| (Concluded) | | | |

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | December 31 | |
|--|--------------------|-------------------|
| | 2020 | 2019 |
| <u>Current</u> | | |
| Investments in equity instruments at FVTOCI | \$ 300,935 | \$ 315,609 |
| Investments in debt instruments at FVTOCI | <u>14,376</u> | <u>-</u> |
| | <u>\$ 315,311</u> | <u>\$ 315,609</u> |
| <u>Non-current</u> | | |
| Investments in equity instruments at FVTOCI | \$ 304,916 | \$ 383,942 |
| Investments in debt instruments at FVTOCI | <u>-</u> | <u>14,903</u> |
| | <u>\$ 304,916</u> | <u>\$ 398,845</u> |
| a. Investments in equity instruments at FVTOCI | | |
| | December 31 | |
| | 2020 | 2019 |
| <u>Current</u> | | |
| Domestic investments | | |
| Listed shares (1) | \$ 264,088 | \$ 315,609 |
| Foreign investments | | |
| Listed shares (1) | <u>36,847</u> | <u>-</u> |
| | <u>\$ 300,935</u> | <u>\$ 315,609</u> |
| <u>Non-current</u> | | |
| Foreign investments | | |
| Unlisted equity investments (1) | \$ 267,431 | \$ 383,942 |
| Domestic investments | | |
| Unlisted equity investments (1) | <u>37,485</u> | <u>-</u> |
| | <u>\$ 304,916</u> | <u>\$ 383,942</u> |

- 1) These investments in equity instruments are not held for trading. Instead, they are held for 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 Company's strategy of holding these investments for purposes.
- 2) In 2020 and 2019, the Company acquired domestic listed companies' shares of listed companies at \$150,216 thousand and \$82,191 thousand for strategic investment purposes. The management designated these investments as at FVTOCI.
- 3) In order to manage credit concentration risk, the Company sold its ordinary shares of domestic listed companies and foreign unlisted equity investment for \$141,913 thousand and \$24,596 thousand and transferred a loss of \$88,783 thousand from other equity to retained earnings.
- 4) In 2019, the Company sold its ordinary shares of domestic listed companies in order to manage credit concentration risk. The selling price of \$9,109 thousand and the Company transferred a gain of \$611 thousand from other equity to retained earnings.
- 5) In February 2020, the Company purchased domestic unlisted equity investments at NT\$30,000 for strategic investment purposes. The management designated this investment as at FVTOCI, and prepayments for the investment were made in December 2019.
- 6) Dividends of \$6,701 thousand and \$13,858 thousand were recognized for the years ended December 31, 2020 and 2019, respectively. Those related to investments held at December 31, 2020 and 2019 were \$6,701 thousand and \$13,858 thousand, respectively.

b. Investments in debt instruments at FVTOCI

| | <u>December 31</u> | |
|-------------------------|--------------------|------------------|
| | 2020 | 2019 |
| <u>Current</u> | | |
| Foreign corporate bonds | <u>\$ 14,376</u> | <u>\$ -</u> |
| <u>Non-current</u> | | |
| Foreign corporate bonds | <u>\$ -</u> | <u>\$ 14,903</u> |

In September 2016, the Company purchased foreign corporate bonds for \$15,654 thousand with a maturity date of September 2021 and a coupon rate of 2.25%.

9. FINANCIAL ASSETS AT AMORTIZED COST

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | 2020 | 2019 |
| <u>Current</u> | | |
| Domestic investments | | |
| Time deposits with original maturities of more than 3 months (a) | \$ 53,900 | \$ 120,400 |
| Pledged fixed deposits (b) | <u>29,104</u> | <u>28,955</u> |
| | <u>\$ 83,004</u> | <u>\$ 149,355</u> |

(Continued)

| | <u>December 31</u> | |
|------------------------------|--------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Non-current</u> | | |
| Domestic investments | | |
| Restricted bank deposits (c) | \$ 29,611 | \$ - |
| Foreign investments | | |
| Foreign corporate bonds (d) | <u>28,923</u> | <u>30,542</u> |
| | <u>\$ 58,534</u> | <u>\$ 30,542</u> |
| | | (Concluded) |

- a. The interest rates for time deposits with original maturities of more than 3 months ranged from 0.77% and 0.75%-1.065% per annum as of December 31, 2020 and 2019, respectively.
- b. Refer to Notes 32 for information relating to investments in financial assets at amortized cost pledged as security.
- c. In accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds Act, the Company applied to the authorities to remit the earnings of foreign subsidiaries to a special bank account. As the aforementioned act restricts the use of deposits in the special account, the management recognized the deposits in the special account as financial assets at amortized cost - non-current.
- d. The Company purchased the priority unsecured US dollar debt issued by Formosa Group (Cayman) Limited at \$32,675 thousand, with an expiry date of April 22, 2025 and the coupon rate of 3.375%.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

| | <u>December 31</u> | |
|-------------------------------------|--------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Notes receivable</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 4,274 | \$ - |
| Less: Allowance for impairment loss | <u>-</u> | <u>-</u> |
| | <u>\$ 4,274</u> | <u>\$ -</u> |
| <u>Trade receivable</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 789,787 | \$ 864,002 |
| Less: Allowance for impairment loss | <u>(17,849)</u> | <u>(17,849)</u> |
| | <u>\$ 771,938</u> | <u>\$ 846,153</u> |
| <u>Other receivables</u> | | |
| Income tax refund receivable | \$ 59,906 | \$ 52,875 |
| Others | <u>1,775</u> | <u>2,139</u> |
| | <u>\$ 61,681</u> | <u>\$ 55,014</u> |

The credit period of sales of goods was 30-120 days. No interest was charged on trade receivables. The Company adopted a policy of obtaining advance payment or sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information or its own historical trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Company annually.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. 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 a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For trade receivables 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 trade receivables based on the Company's provision matrix.

December 31, 2020

| | Not Past Due | Up to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|--------------------------------|---------------------|----------------------|----------------------|---------------------|-------------------|
| Gross carrying amount | \$ 784,846 | \$ 3 | \$ - | \$ 4,938 | \$ 789,787 |
| Loss allowance (Lifetime ECLs) | <u>(12,908)</u> | <u>(3)</u> | <u>-</u> | <u>(4,938)</u> | <u>(17,849)</u> |
| Amortized cost | <u>\$ 771,938</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 771,938</u> |

December 31, 2019

| | Not Past Due | Up to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|--------------------------------|---------------------|----------------------|----------------------|---------------------|-------------------|
| Gross carrying amount | \$ 858,889 | \$ 12 | \$ - | \$ 5,101 | \$ 864,002 |
| Loss allowance (Lifetime ECLs) | <u>(12,736)</u> | <u>(12)</u> | <u>-</u> | <u>(5,101)</u> | <u>(17,849)</u> |
| Amortized cost | <u>\$ 846,153</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 846,153</u> |

The movements of the loss allowance of trade receivables were as follows:

| | 2020 | 2019 |
|---------------------------------------|------------------|------------------|
| Balance at January 1, and December 31 | <u>\$ 17,849</u> | <u>\$ 17,849</u> |

Compared with January 1, 2020, the total carrying amount of accounts receivable as of December 31, 2020 decreased by a net amount of \$74,215 thousand, and the loss allowance did not decrease. The total amount of accounts receivable as of December 31, 2019 decreased by a net amount of \$99,805 thousand and the loss allowance did not decrease, which was due to the changes in accounts receivable of different risk groups.

11. INVENTORIES

| | December 31 | |
|------------------|--------------------|---------------------|
| | 2020 | 2019 |
| Finished goods | \$ 353,816 | \$ 313,539 |
| Work in progress | 411,431 | 561,576 |
| Raw materials | 69,486 | 142,766 |
| Merchandise | <u>22</u> | <u>14</u> |
| | <u>\$ 834,755</u> | <u>\$ 1,017,895</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$5,345,432 thousand and \$6,485,879 thousand, respectively.

The cost of goods sold included inventory write-downs of \$50,300 thousand and \$13,871 thousand for the years ended December 31, 2020 and 2019, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | December 31 | |
|--|---------------------|---------------------|
| | 2020 | 2019 |
| <u>Investments in subsidiaries</u> | | |
| Sensortek Technology Corp. | \$ 2,009,211 | \$ 920,055 |
| Forcelead Technology Corp. | 600,941 | 515,829 |
| Sitronix Investment Corp. | 266,799 | 358,248 |
| HeFei Sitronix Co., Ltd. | 171,956 | 133,536 |
| Sitronix Technology (Belize) Corp. | - | 107,725 |
| mCore Technology Corp. | 119,246 | 101,587 |
| Sync-Tech System Corp. | 142,340 | 94,718 |
| Sitronix Holding International Ltd. | 79,262 | 79,038 |
| Infinno Technology Corp. | 30,938 | 40,632 |
| Sitronix Technology (Shenzhen) Co., Ltd. | 19,308 | 17,477 |
| ezGreen Inc. | 24,294 | 16,470 |
| HeFei ezGreen Co., Ltd. | <u>13,262</u> | <u>5,353</u> |
| | <u>\$ 3,477,557</u> | <u>\$ 2,390,668</u> |

| | Proportion of Ownership and Voting Rights | |
|--|--|-------------|
| | December 31 | |
| | 2020 | 2019 |
| Name of Subsidiaries | | |
| Sensortek Technology Corp. | 46.06% | 50.44% |
| Forcelead Technology Corp. | 100.00% | 84.14% |
| Sitronix Investment Corp. | 100.00% | 100.00% |
| HeFei Sitronix Co., Ltd. | 90.00% | 90.00% |
| Sitronix Technology (Belize) Corp. | 100.00% | 100.00% |
| mCore Technology Corp. | 90.73% | 90.73% |
| Sync-Tech System Corp. | 48.75% | 50.80% |
| Sitronix Holding International Ltd. | 100.00% | 100.00% |
| Infinno Technology Corp. | 63.99% | 63.99% |
| Sitronix Technology (Shenzhen) Co., Ltd. | 100.00% | 100.00% |
| ezGreen Inc. | 100.00% | 100.00% |
| HeFei ezGreen Co., Ltd. | 100.00% | 100.00% |

As of December 31, 2020, the Company's shareholding ratio of Sensortek Technology Corp. was 46.06%. Since Sensortek Technology Corp. is a TPEX listed company in the Republic of China, the remaining 53.94% of the shares held are widely dispersed. After considering the absolute number, relative size and distribution of shareholding held by the other shareholders, the Company was judged to have the substantive ability to dominate the relevant activities of Sensortek Technology Corp., therefore, it is classified as a subsidiary.

As of December 31, 2020, the Company's shareholding ratio of Sync-Tech System Corp. was 48.75%, and was the largest single shareholder of the latter. After considering the absolute number, relative size and distribution of shareholding held by the other shareholders, the Company was judged to have the substantive ability to dominate the relevant activities of Sync-Tech System Corp., therefore, it is classified as a subsidiary.

On December 24, 2020, as the Company repurchased all of the shares of Forcelead Technology Corp., the shareholding ratio increased from 83.86% to 100%.

Belize Corp. has applied for liquidation and dissolution during 2020, and its share capital and surplus have been repatriated.

Please refer to Note 27 for the acquisitions and disposals of investments in subsidiaries.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the subsidiaries' financial statements which have been audited for the same periods.

13. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land | Buildings | Machinery Equipment | Test Equipment | Office Equipment | Total |
|--------------------------------------|------------------|-------------------|------------------------|-------------------|---------------------|-------------------|
| <u>Cost</u> | | | | | | |
| Balance at January 1, 2019 | \$ 67,674 | \$ 269,083 | \$ 44,772 | \$ 450,980 | \$ 3,796 | \$ 836,305 |
| Additions | - | 1,486 | 5,241 | 74,704 | 388 | 81,819 |
| Disposals | - | - | (1,104) | (98,099) | (65) | (99,268) |
| Balance at December 31, 2019 | <u>\$ 67,674</u> | <u>\$ 270,569</u> | <u>\$ 48,909</u> | <u>\$ 427,585</u> | <u>\$ 4,119</u> | <u>\$ 818,856</u> |
| <u>Accumulated depreciation</u> | | | | | | |
| Balance at January 1, 2019 | \$ - | \$ 85,503 | \$ 31,638 | \$ 261,614 | \$ 3,140 | \$ 381,895 |
| Additions | - | 10,139 | 6,360 | 98,099 | 275 | 114,873 |
| Disposals | - | - | (1,104) | (92,760) | (65) | (93,929) |
| Balance at December 31, 2019 | <u>\$ -</u> | <u>\$ 95,642</u> | <u>\$ 36,894</u> | <u>\$ 266,953</u> | <u>\$ 3,350</u> | <u>\$ 402,839</u> |
| Balance at January 1, 2019 | <u>\$ 67,674</u> | <u>\$ 183,580</u> | <u>\$ 13,134</u> | <u>\$ 189,366</u> | <u>\$ 656</u> | <u>\$ 454,410</u> |
| Carrying amount at December 31, 2019 | <u>\$ 67,674</u> | <u>\$ 174,927</u> | <u>\$ 12,015</u> | <u>\$ 160,632</u> | <u>\$ 769</u> | <u>\$ 416,017</u> |

(Continued)

| | Freehold Land | Buildings | Machinery Equipment | Test Equipment | Office Equipment | Total |
|--------------------------------------|------------------|-------------------|------------------------|-------------------|---------------------|-------------------|
| <u>Cost</u> | | | | | | |
| Balance at January 1, 2020 | \$ 67,674 | \$ 270,569 | \$ 48,909 | \$ 427,585 | \$ 4,119 | \$ 818,856 |
| Additions | - | 90 | 10,206 | 114,106 | 43 | 124,445 |
| Disposals | - | (63) | (3,010) | (96,576) | (1,024) | (100,673) |
| Balance at December 31, 2020 | <u>\$ 67,674</u> | <u>\$ 270,596</u> | <u>\$ 56,105</u> | <u>\$ 445,115</u> | <u>\$ 3,138</u> | <u>\$ 842,628</u> |
| <u>Accumulated depreciation</u> | | | | | | |
| Balance at January 1, 2020 | \$ - | \$ 95,642 | \$ 36,894 | \$ 266,953 | \$ 3,350 | \$ 402,839 |
| Additions | - | 8,519 | 6,539 | 101,192 | 278 | 116,528 |
| Disposals | - | (63) | (2,749) | (94,944) | (1,002) | (98,758) |
| Balance at December 31, 2020 | <u>\$ -</u> | <u>\$ 104,098</u> | <u>\$ 40,684</u> | <u>\$ 273,201</u> | <u>\$ 2,626</u> | <u>\$ 420,609</u> |
| Balance at January 1, 2020 | <u>\$ 67,674</u> | <u>\$ 174,927</u> | <u>\$ 12,015</u> | <u>\$ 160,632</u> | <u>\$ 769</u> | <u>\$ 416,017</u> |
| Carrying amount at December 31, 2020 | <u>\$ 67,674</u> | <u>\$ 166,498</u> | <u>\$ 15,421</u> | <u>\$ 171,914</u> | <u>\$ 512</u> | <u>\$ 422,019</u> |

(Concluded)

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

| | |
|---|-----------|
| Buildings | |
| Main buildings | 50 years |
| Renovation construction / Lease improvement | 5 years |
| Machinery equipment | 3-4 years |
| Test equipment | 3-6 years |
| Office equipment | 5-6 years |

14. LEASE ARRANGEMENT

a. Right-of-use assets

| | <u>December 31</u> | |
|-------------------------|--------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Carrying amounts</u> | | |
| Buildings | \$ 13,032 | \$ 36,846 |
| Office equipment | 3,483 | 1,618 |
| Machinery | <u>-</u> | <u>1,299</u> |
| | <u>\$ 16,515</u> | <u>\$ 39,763</u> |

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2020 | 2019 |
| Additions to right-of-use assets | <u>\$ 3,687</u> | <u>\$ 1,926</u> |
| Depreciation charge for right-of-use assets | | |
| Buildings | \$ 23,814 | \$ 23,813 |
| Office equipment | 1,810 | 1,360 |
| Machinery | <u>325</u> | <u>1,298</u> |
| | <u>\$ 25,949</u> | <u>\$ 26,471</u> |

Except for the additions and recognition of depreciation expenses listed above, there was no significant sublease or impairment of the Company's right-of-use assets in 2020 and 2019.

b. Lease liabilities

| | December 31 | |
|-------------------------|--------------------|------------------|
| | 2020 | 2019 |
| <u>Carrying amounts</u> | | |
| Current | <u>\$ 13,163</u> | <u>\$ 23,973</u> |
| Non-current | <u>\$ 2,409</u> | <u>\$ 13,006</u> |

Range of discount rate for lease liabilities was as follows:

| | December 31 | |
|------------------|--------------------|---------------|
| | 2020 | 2019 |
| Buildings | 1.595% | 1.595% |
| Office equipment | 1.595% | 1.595% |
| Machinery | 1.204%-1.595% | 1.204%-1.595% |

c. Material lease activities and terms (the Company is lessee)

The Company leases certain buildings for the use of plants, machinery, offices, and rental cars with lease terms of 3-6 years. The Company leases machinery with a lease term of 5 years; however, due to the Company's business planning considerations, the lease of machinery was terminated in April 2020. The Company does not have bargain purchase options to acquire the leased assets or renewal options to extend the leases when they expire.

Machinery is leased from related parties, please refer to Note 31 'Transactions with related parties' for more information.

In 2020 and 2019, the company did not have significant new lease contracts.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Notes 15.

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2020 | 2019 |
| Expenses relating to short-term leases | <u>\$ 451</u> | <u>\$ 701</u> |
| Expenses relating to low-value asset leases | <u>\$ 70</u> | <u>\$ 67</u> |
| Total cash outflow for leases | <u>\$ 25,037</u> | <u>\$ 25,798</u> |

The Company's leases of certain parking spaces qualify as short-term leases and certain machinery which qualify as low-value asset 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.

15. INVESTMENT PROPERTIES

| | Land | Buildings | Total |
|--|-------------------|-------------------|-------------------|
| <u>Cost</u> | | | |
| Balance at January 1 and December 31, 2019 | <u>\$ 183,811</u> | <u>\$ 416,415</u> | <u>\$ 600,226</u> |
| <u>Accumulated depreciation</u> | | | |
| Balance at January 1, 2019 | \$ - | \$ 65,076 | \$ 65,076 |
| Depreciation expense | <u>-</u> | <u>8,190</u> | <u>8,190</u> |
| Balance at December 31, 2019 | <u>\$ -</u> | <u>\$ 73,266</u> | <u>\$ 73,266</u> |
| Balance at January 1, 2019 | <u>\$ 183,811</u> | <u>\$ 351,339</u> | <u>\$ 535,150</u> |
| Carrying amount at December 31, 2019 | <u>\$ 183,811</u> | <u>\$ 343,149</u> | <u>\$ 526,960</u> |
| <u>Cost</u> | | | |
| Balance at January 1, 2020 | \$ 183,811 | \$ 416,415 | \$ 600,226 |
| Disposals | <u>(38,951)</u> | <u>(16,888)</u> | <u>(55,839)</u> |
| Balance at December 31, 2020 | <u>\$ 144,860</u> | <u>\$ 399,527</u> | <u>\$ 544,387</u> |
| <u>Accumulated depreciation</u> | | | |
| Balance at January 1, 2020 | \$ - | \$ 73,266 | \$ 73,266 |
| Depreciation expense | - | 7,859 | 7,859 |
| Disposals | <u>-</u> | <u>(4,525)</u> | <u>(4,525)</u> |
| Balance at December 31, 2020 | <u>\$ -</u> | <u>\$ 76,600</u> | <u>\$ 76,600</u> |
| Balance at January 1, 2020 | <u>\$ 183,811</u> | <u>\$ 343,149</u> | <u>\$ 526,960</u> |
| Carrying amount at December 31, 2020 | <u>\$ 144,860</u> | <u>\$ 322,927</u> | <u>\$ 467,787</u> |

The above mentioned investment properties were leased out for 1 to 5 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The future minimum lease payments of operating lease commitments in 2020 and 2019 were follows:

| | December 31 | |
|--------------------|--------------------|------------------|
| | 2020 | 2019 |
| Year 1 | \$ 21,242 | \$ 21,204 |
| Year 2 | 17,811 | 20,734 |
| Year 3 | 15,723 | 17,811 |
| Later than 3 years | <u>-</u> | <u>15,723</u> |
| | <u>\$ 54,776</u> | <u>\$ 75,472</u> |

Investment properties are depreciated using the straight-line method over their estimated useful lives of 50 years.

The determination of fair values of the Company's investment properties was performed by independent qualified professional values of the China Real Estate Appraising Firm using Level 3 inputs. The evaluation is based on the cost method and the weighted average of the income method and the market comparison method. The significant unobservable input used include the discount rate, and the fair values as appraised are as follows:

| | December 31 | |
|------------|--------------------|-------------------|
| | 2020 | 2019 |
| Fair value | <u>\$ 696,793</u> | <u>\$ 799,818</u> |

All of the Company's investment properties were held under freehold interests.

16. INTANGIBLE ASSETS

| | Royalty | Computer Software | Total |
|--------------------------------------|------------------|--------------------------|-------------------|
| <u>Cost</u> | | | |
| Balance at January 1, 2019 | \$ 77,991 | \$ 49,439 | \$ 127,430 |
| Additions | <u>4,537</u> | <u>11,136</u> | <u>15,673</u> |
| Balance at December 31, 2019 | <u>\$ 82,528</u> | <u>\$ 60,575</u> | <u>\$ 143,103</u> |
| <u>Accumulated amortization</u> | | | |
| Balance at January 1, 2019 | \$ 55,729 | \$ 31,301 | \$ 87,030 |
| Amortization expenses | <u>10,774</u> | <u>15,008</u> | <u>25,782</u> |
| Balance at December 31, 2019 | <u>\$ 66,503</u> | <u>\$ 46,309</u> | <u>\$ 112,812</u> |
| Balance at January 1, 2019 | <u>\$ 22,262</u> | <u>\$ 18,138</u> | <u>\$ 40,400</u> |
| Carrying amount at December 31, 2019 | <u>\$ 16,025</u> | <u>\$ 14,266</u> | <u>\$ 30,291</u> |

(Continued)

| | Royalty | Computer Software | Total |
|--------------------------------------|------------------|--------------------------|-------------------|
| <u>Cost</u> | | | |
| Balance at January 1, 2020 | \$ 82,528 | \$ 60,575 | \$ 143,103 |
| Additions | <u>5,029</u> | <u>6,591</u> | <u>11,620</u> |
| Balance at December 31, 2020 | <u>\$ 87,557</u> | <u>\$ 67,166</u> | <u>\$ 154,723</u> |
| <u>Accumulated amortization</u> | | | |
| Balance at January 1, 2020 | \$ 66,503 | \$ 46,309 | \$ 112,812 |
| Amortization expenses | <u>11,815</u> | <u>10,437</u> | <u>22,252</u> |
| Balance at December 31, 2020 | <u>\$ 78,318</u> | <u>\$ 56,746</u> | <u>\$ 135,064</u> |
| Balance at January 1, 2020 | <u>\$ 16,025</u> | <u>\$ 14,266</u> | <u>\$ 30,291</u> |
| Carrying amount at December 31, 2020 | <u>\$ 9,239</u> | <u>\$ 10,420</u> | <u>\$ 19,659</u> |

(Concluded)

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

| | |
|-------------------|-----------|
| Royalty | 2-8 years |
| Computer software | 2-5 years |

17. OTHER ASSETS

| | <u>December 31</u> | |
|---|--------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Other current assets</u> | | |
| Others | <u>\$ 6,503</u> | <u>\$ 3,631</u> |
| <u>Prepayments</u> | | |
| Input tax and offset against business tax | \$ 37,891 | \$ 52,985 |
| Prepayments | 30,017 | 26,804 |
| Prepaid probe cards | <u>13,221</u> | <u>13,798</u> |
| | <u>\$ 81,129</u> | <u>\$ 93,587</u> |
| <u>Other non-current assets</u> | | |
| Prepayments for investments | \$ 30,000 | \$ 30,000 |
| Refundable deposits | 5,887 | 6,769 |
| Prepayments for equipment | <u>3,594</u> | <u>12,384</u> |
| | <u>\$ 39,481</u> | <u>\$ 49,153</u> |

18. SHORT-TERM BORROWINGS

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Short-term unsecured borrowings</u> | | |
| Bank loans | \$ <u>247,776</u> | \$ <u>278,814</u> |

The range of weighted average effective interest rates on bank loans was 0.64% and 2.08% as of December 31, 2020 and 2019, respectively.

19. OTHER LIABILITIES

| | <u>December 31</u> | |
|-----------------------------------|--------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Current</u> | | |
| Other payables | | |
| Payables for salaries and bonuses | \$ 343,977 | \$ 251,697 |
| Payables for equipment | 16,294 | 10,365 |
| Payables for research | 8,140 | 10,753 |
| Others | <u>166,134</u> | <u>87,502</u> |
| | <u>\$ 534,545</u> | <u>\$ 360,317</u> |
| Other liabilities | | |
| Temporary receipts | \$ 56,293 | \$ 12,177 |
| Contract liabilities | 13,801 | 8,152 |
| Receipts under custody | 4,391 | 4,074 |
| Unearned receipts | <u>-</u> | <u>1,988</u> |
| | <u>\$ 74,485</u> | <u>\$ 26,391</u> |

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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 plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. 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 based on the actuarial report of the Company’s defined benefit plans were as follows:

| | December 31 | |
|---|--------------------|------------------|
| | 2020 | 2019 |
| Present value of defined benefit obligation | \$ 98,281 | \$ 95,776 |
| Fair value of the plan assets | <u>(53,404)</u> | <u>(49,130)</u> |
| Net defined benefit liabilities | <u>\$ 44,877</u> | <u>\$ 46,646</u> |

Movements in net defined benefit liabilities were as follows:

| | Present Value of Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
|---|--|--|--|
| Balance at January 1, 2019 | \$ <u>96,085</u> | \$ <u>(44,767)</u> | \$ <u>51,318</u> |
| Service cost | | | |
| Past service cost | (595) | - | (595) |
| Net interest expense (income) | <u>956</u> | <u>(455)</u> | <u>501</u> |
| Recognized in profit or loss | <u>361</u> | <u>(455)</u> | <u>(94)</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (1,538) | (1,538) |
| Actuarial loss - change in demographic assumptions | 1,017 | - | 1,017 |
| Actuarial gain - change in financial assumptions | (473) | - | (473) |
| Actuarial gain - experience adjustments | <u>(1,214)</u> | <u>-</u> | <u>(1,214)</u> |
| Recognized in other comprehensive income | <u>(670)</u> | <u>(1,538)</u> | <u>(2,208)</u> |
| Contributions from the employer | <u>-</u> | <u>(2,370)</u> | <u>(2,370)</u> |
| Balance at December 31, 2019 | <u>95,776</u> | <u>(49,130)</u> | <u>46,646</u> |
| Service cost | | | |
| Past service cost | (2,621) | - | (2,621) |
| Net interest expense (income) | <u>715</u> | <u>(374)</u> | <u>341</u> |
| Recognized in profit or loss | <u>(1,906)</u> | <u>(374)</u> | <u>(2,280)</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (1,575) | (1,575) |
| Actuarial loss - change in demographic assumptions | 532 | - | 532 |
| Actuarial gain - change in financial assumptions | 5,047 | - | 5,047 |
| Actuarial gain - experience adjustments | <u>(1,168)</u> | <u>-</u> | <u>(1,168)</u> |
| Recognized in other comprehensive income | <u>4,411</u> | <u>(1,575)</u> | <u>(2,836)</u> |
| Contributions from the employer | <u>-</u> | <u>(2,325)</u> | <u>2,325</u> |
| Balance at December 31, 2020 | <u>\$ 98,281</u> | <u>\$ (53,404)</u> | <u>\$ 44,877</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 |
| Selling and marketing expenses | \$ 34 | \$ 51 |
| General and administrative expenses | (2,488) | 97 |
| Research and development expenses | <u>174</u> | <u>(242)</u> |
| | <u>\$ (2,280)</u> | <u>\$ (94)</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 by reference to 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 | 0.30% | 0.75% |
| Expected rate of salary increase | 4.00% | 4.00% |

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 increase (decrease) as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Discount rate | | |
| 0.25% increase | <u>\$ (2,786)</u> | <u>\$ (2,875)</u> |
| 0.25% decrease | <u>\$ 2,898</u> | <u>\$ 2,995</u> |
| Expected rate of salary increase / decrease | | |
| 0.25% increase | <u>\$ 2,786</u> | <u>\$ 2,892</u> |
| 0.25% decrease | <u>\$ (2,695)</u> | <u>\$ (2,794)</u> |

The 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.

| | <u>December 31</u> | |
|--|--------------------|-----------------|
| | 2020 | 2019 |
| Expected contributions to the plan for the next year | <u>\$ 2,312</u> | <u>\$ 2,357</u> |
| Average duration of the defined benefit obligation | 11 years | 12 years |

21. EQUITY

a. Share capital

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Number of shares authorized (in thousands) | <u>200,000</u> | <u>200,000</u> |
| Share capital | <u>\$ 2,000,000</u> | <u>\$ 2,000,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>120,137</u> | <u>120,137</u> |
| Shares issued | <u>\$ 1,201,369</u> | <u>\$ 1,201,369</u> |

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

The authorized shares include 20,000 thousand shares reserved for the exercise of employee stock options.

b. Capital surplus

| | <u>December 31</u> | |
|---|---------------------|-------------------|
| | 2020 | 2019 |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u> | | |
| Issuance of ordinary shares | \$ 278,773 | \$ 278,773 |
| Conversion of bonds | 335,041 | 335,041 |
| The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition | - | - |
| <u>May be used to offset a deficit only</u> | | |
| Issuance of ordinary shares | 123,222 | 123,222 |
| Changes in percentage of ownership interests in subsidiaries (2) | <u>925,803</u> | <u>35,285</u> |
| | <u>\$ 1,662,839</u> | <u>\$ 772,321</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).

- 2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

The shareholders of the Company held their regular meeting on June 26, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the board of directors is authorized to adopt a special resolution to distribute all or part of the dividends and bonuses in cash, and a report of such distribution should be submitted in the latest shareholders' meeting.

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be distributed in the following order:

- 1) Utilized for paying taxes.
- 2) Offsetting losses of previous years.
- 3) Setting aside as a legal reserve of 10% of the remaining profit (legal reserve that has reached the company's paid-in capital is not subject to this condition).
- 4) Setting aside or reversing a special reserve in accordance with the laws and regulations.
- 5) 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.

For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 23(h).

The distribution of dividends to shareholders of the Company can be made in cash or shares, but the proportion of cash dividends distributed should not be less than 10% of the total dividends distributed. The dividends policy is dependent on the Company's current and future investment environment, capital needs, domestic and international competition and capital budget, etc., taking into account the interests of shareholders, balance of dividends and long-term financial planning of the Company, the board of directors plans to distribute the case to the shareholders' meeting.

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 deficit 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, Rule No. 1010047490 and Rule No. 1030006415 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 June 24, 2020 and June 26, 2019, respectively, were as follows:

| | Appropriation of Earnings | |
|--|---------------------------------------|-------------------|
| | For the Year Ended December 31 | |
| | 2019 | 2018 |
| Legal reserve | <u>\$ 123,059</u> | <u>\$ 84,036</u> |
| (Reversals) Appropriations special reserve | <u>\$ (174,421)</u> | <u>\$ 225,303</u> |
| Cash dividends | <u>\$ 780,890</u> | <u>\$ 601,113</u> |
| Cash dividends per share (NT\$) | <u>\$ 6.5</u> | <u>\$ 5.0</u> |

The appropriation of earnings for 2020 had been proposed by the Company's board of directors on March 18, 2021. The appropriation and dividends per share were as follows:

| | 2020 |
|---------------------------------|-------------------|
| Legal reserve | <u>\$ 117,719</u> |
| Appropriations special reserve | <u>\$ 102,697</u> |
| Cash dividends | <u>\$ 901,027</u> |
| Cash dividends per share (NT\$) | <u>\$ 7.5</u> |

The aforementioned distribution of cash dividends has been resolved by the board of directors, and the rest has yet to be resolved at the shareholders' meeting to be held on June 23, 2021.

d. Special reserve

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Balance at January 1 | \$ 251,947 | \$ 26,644 |
| (Reversals) Appropriations in respect of Debits to other equity items | <u>(174,421)</u> | <u>225,303</u> |
| Balance at December 31 | <u>\$ 77,526</u> | <u>\$ 251,947</u> |

e. Other equity items

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Balance at January 1 | \$ (9,688) | \$ (846) |
| Share from investments accounted for using the equity method | <u>(756)</u> | <u>(8,842)</u> |
| Balance at December 31 | <u>\$ (10,444)</u> | <u>\$ (9,688)</u> |

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

| | For the Year Ended December 31 | |
|--|---------------------------------------|--------------------|
| | 2020 | 2019 |
| Balance at January 1 | \$ (67,838) | \$ (251,101) |
| Recognized for the year | | |
| Unrealized gain (loss) - debt instruments | (529) | 88 |
| Unrealized gain (loss) - equity instruments | (107,406) | 121,594 |
| Share from investments accounted for using the equity method | (82,790) | 80,116 |
| Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal | <u>88,783</u> | <u>(18,535)</u> |
| Balance at December 31 | <u>\$ (169,780)</u> | <u>\$ (67,838)</u> |

3) Unearned employee benefits

The shareholders of the Company approved a restricted share plan for employees (see Note 27).

| | For the Year Ended December 31 | |
|--|---------------------------------------|--------------|
| | 2020 | 2019 |
| Balance at January 1 | \$ - | \$ (25,652) |
| Share-based payment expenses recognized (reversal) | - | 16,782 |
| Cancellation of restricted shares for employees | <u>-</u> | <u>8,870</u> |
| Balance at December 31 | <u>\$ -</u> | <u>\$ -</u> |

f. Treasury shares

| Purpose of Buy-Back | Shares Held by Subsidiary (In Thousands of Shares) |
|---------------------------------------|---|
| Number of shares at January 1, 2020 | - |
| Increase during the year | <u>138</u> |
| Number of shares at December 31, 2020 | <u>138</u> |

The Company's shares held by its subsidiary at the end of the reporting period were as follows:

| Name of Subsidiary | Number of Shares Held (In Thousands of Shares) | Carrying Amount | Market Price |
|----------------------------|---|----------------------------|---------------------|
| <u>December 31, 2020</u> | | | |
| Sensortek Technology Corp. | 138 | \$ 22,425 | \$ 22,425 |

The Company's shares held by its subsidiary are treated as treasury shares.

22. REVENUE

a. Disaggregation of revenue

| | For the Year Ended December 31 | |
|-------------------------------------|---------------------------------------|---------------------|
| | 2020 | 2019 |
| <u>Product</u> | | |
| Integrated circuits | \$ 7,263,352 | \$ 8,243,256 |
| Others | <u>64,034</u> | <u>62,864</u> |
| | <u>\$ 7,327,386</u> | <u>\$ 8,306,120</u> |
| <u>Primary geographical markets</u> | | |
| Hong Kong | \$ 6,148,828 | \$ 6,687,702 |
| Taiwan | 411,850 | 424,996 |
| China | 79,888 | 254,238 |
| Others | <u>686,820</u> | <u>939,184</u> |
| | <u>\$ 7,327,386</u> | <u>\$ 8,306,120</u> |

The basis of calculation of the Company's revenue segregated by geographical location is mainly based on the location the goods were shipped as designated by the customers.

b. Contract balances

| | December 31, 2020 | December 31, 2019 | January 1, 2019 |
|--|------------------------------|------------------------------|----------------------------|
| Accounts receivable (Note 10) | <u>\$ 771,938</u> | <u>\$ 846,153</u> | <u>\$ 945,958</u> |
| Contract liabilities - current (Note 19) | | | |
| Sales of goods | <u>\$ 13,801</u> | <u>\$ 8,152</u> | <u>\$ 18,069</u> |

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year is as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2020 | 2019 |
| <u>From contract liabilities at the start of the year</u> | | |
| Sales of goods | <u>\$ 5,154</u> | <u>\$ 14,999</u> |

Changes in contract liabilities are mainly due to the timing difference between the satisfaction of performance obligations and customer payment.

23. NET PROFIT

a. Other operating income and expense

| | For the Year Ended December 31 | |
|---|---------------------------------------|-----------------|
| | 2020 | 2019 |
| Gain on disposal of investment properties and property, plant and equipment | \$ 91,434 | \$ 9,662 |
| Gain on sublease of right-of-use assets | 1,728 | 143 |
| Lease modification benefits | <u>10</u> | <u>-</u> |
| | <u>\$ 93,172</u> | <u>\$ 9,805</u> |

b. Interest income

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2020 | 2019 |
| Financial assets at amortized cost | \$ 11,599 | \$ 15,397 |
| Investments in debt instruments at FVTOCI | 337 | 349 |
| Financial asset at FVTPL | 622 | 1,877 |
| Others | <u>619</u> | <u>1,226</u> |
| | <u>\$ 13,177</u> | <u>\$ 18,849</u> |

c. Other income

| | For the Year Ended December 31 | |
|-----------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Rental income | \$ 30,749 | \$ 37,282 |
| Dividend income | 6,701 | 13,858 |
| Others | <u>15,370</u> | <u>6,458</u> |
| | <u>\$ 52,820</u> | <u>\$ 57,598</u> |

d. Other gains and losses

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2020 | 2019 |
| Gain on financial assets designated as at FVTPL | \$ 92,891 | \$ 16,225 |
| Net foreign exchange (losses) gains | (16,323) | 6,131 |
| Depreciation of investment property | <u>(7,859)</u> | <u>(8,190)</u> |
| | <u>\$ 68,709</u> | <u>\$ 14,166</u> |

e. Finance costs

| | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|-----------------|
| | 2020 | 2019 |
| Interest on loans | \$ 3,744 | \$ 7,112 |
| Interest on lease liabilities | 418 | 757 |
| Other interest expenses | <u>124</u> | <u>124</u> |
| | <u>\$ 4,286</u> | <u>\$ 7,993</u> |

f. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Property, plant and equipment | \$ 116,528 | \$ 114,873 |
| Investment properties | 7,859 | 8,190 |
| Right-of-use assets | 25,949 | 26,471 |
| Intangible assets | <u>22,252</u> | <u>25,782</u> |
| | <u>\$ 172,588</u> | <u>\$ 175,316</u> |
| An analysis of depreciation by function | | |
| Operating expenses | \$ 136,042 | \$ 136,096 |
| Operating costs | 6,435 | 5,248 |
| Depreciation of investment property | <u>7,859</u> | <u>8,190</u> |
| | <u>\$ 150,336</u> | <u>\$ 149,534</u> |
| An analysis of amortization by function | | |
| Operating expenses | <u>\$ 22,252</u> | <u>\$ 25,782</u> |

g. Employee benefits expense

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Short-term benefits | \$ 942,335 | \$ 868,590 |
| Post-employment benefits | | |
| Defined contribution plans | 25,595 | 25,676 |
| Defined benefit plans (Notes 20) | (2,280) | (94) |
| Share-based payments | | |
| Equity-settled | <u>-</u> | <u>16,782</u> |
| Total employee benefits expense | <u>\$ 965,650</u> | <u>\$ 910,954</u> |
| An analysis of employee benefits expense by function | | |
| Operating expenses | <u>\$ 965,650</u> | <u>\$ 910,954</u> |

h. Employees' compensation and remuneration of directors

According to the articles of incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 25%, and rates of no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The employees' compensation and the remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on March 18, 2021 and March 13, 2020 respectively, are as follows:

Amount

| | For the Year Ended December 31 | | | |
|---------------------------|---------------------------------------|---------------|-------------|---------------|
| | 2020 | | 2019 | |
| | Cash | Shares | Cash | Shares |
| Employees' compensation | \$ 124,372 | \$ - | \$ 110,023 | \$ - |
| Remuneration of directors | 37,311 | - | 33,007 | - |

If there is a change in the amounts after the annual parent company only financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate. There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation 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.

i. Gains or losses on foreign currency exchange

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Foreign exchange gains | \$ 96,676 | \$ 123,822 |
| Foreign exchange losses | <u>(112,999)</u> | <u>(117,691)</u> |
| Net gains (losses) | <u>\$ (16,323)</u> | <u>\$ 6,131</u> |

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax expense recognized in profit or loss:

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2020 | 2019 |
| Current tax | | |
| In respect of the current year | \$ 130,751 | \$ 63,368 |
| Income tax on unappropriated earnings | 22,090 | - |
| Adjustments for prior years | <u>(12,224)</u> | <u>(6,000)</u> |
| | 140,617 | 57,368 |
| Deferred tax | | |
| In respect of the current year | <u>(13,500)</u> | <u>4,526</u> |
| Income tax expense recognized in profit or loss | <u>\$ 127,117</u> | <u>\$ 61,894</u> |

A reconciliation of accounting loss and income tax expenses is as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2020 | 2019 |
| Profit before tax from continuing operations | <u>\$ 1,511,935</u> | <u>\$ 1,292,482</u> |
| Income tax expense calculated at the statutory rate | \$ 302,387 | \$ 258,496 |
| Deductible items in determining taxable income | (192,489) | (167,561) |
| Tax-exempt income | - | (15,248) |
| Income tax on unappropriated earnings | 22,090 | - |
| Impact of the temporary differences | 8,818 | 1,954 |
| Effects of investment credits | (1,465) | (9,747) |
| Adjustments for prior years' tax | <u>(12,224)</u> | <u>(6,000)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 127,117</u> | <u>\$ 61,894</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 the unappropriated earnings that has been reinvested in capital expenditure.

In addition, due to the impact of Covid-19, in accordance with Rule No.10904558730 issued by the Ministry of Finance of Taiwan, the Company has deducted the amount of dividends distributed in 2020 attributable to the increase in the retained earnings at the beginning of 2018 as a result of initial adoption of IFRS 9 when calculating the tax on unappropriated earnings for 2018.

b. Current tax liabilities

| | December 31 | |
|-------------------------|--------------------|-------------------|
| | 2020 | 2019 |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 185,296</u> | <u>\$ 104,623</u> |

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

| Deferred Tax Assets | Opening Balance | Recognized in Profit or Loss | Closing Balance |
|---------------------------------|------------------------|-------------------------------------|------------------------|
| Temporary differences | <u>\$ -</u> | <u>\$ 15,214</u> | <u>\$ 15,214</u> |
| Deferred Tax liabilities | Opening Balance | Recognized in Profit or Loss | Closing Balance |
| Temporary differences | <u>\$ 5,136</u> | <u>\$ 1,714</u> | <u>\$ 6,850</u> |

For the year ended December 31, 2019

| Deferred Tax liabilities | Opening Balance | Recognized in Profit or Loss | Closing Balance |
|---|----------------------------|---|------------------------|
| Temporary differences | <u>\$ 610</u> | <u>\$ 4,526</u> | <u>\$ 5,136</u> |
| d. Deductible temporary differences for which no deferred assets have been recognized in the parent company only balance sheets | | | |

| | <u>December 31</u> | |
|----------------------------------|--------------------|------------------|
| | 2020 | 2019 |
| Deductible temporary differences | <u>\$ 118,726</u> | <u>\$ 79,341</u> |

- e. The tax exemption periods for the Company's manufacture of high-order integrated circuit design-SOC, LCD Driver IC and other products are as follows:

| <u>Expansion of Construction Project</u> | <u>Tax-exemption Period</u> |
|--|-----------------------------|
| The ninth issuance of shares | 2016.01.01-2019.11.30 |

- f. Information on unrecognized deferred income tax liabilities associated with investments

As of December 31, 2020 and 2019, there were no recognized taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities were recognized.

- g. Income tax assessments

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

25. EARNINGS PER SHARE

Unit: NT\$ Per Share

| | <u>For the Year Ended December 31</u> | |
|----------------------------|---------------------------------------|-----------------|
| | 2020 | 2019 |
| Basic earnings per share | <u>\$ 11.53</u> | <u>\$ 10.27</u> |
| Diluted earnings per share | <u>\$ 11.44</u> | <u>\$ 10.17</u> |

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

Net Income for the Year

| | <u>For the Year Ended December 31</u> | |
|--|---------------------------------------|---------------------|
| | 2020 | 2019 |
| Net income for the year | <u>\$ 1,384,818</u> | <u>\$ 1,230,588</u> |
| Earnings used in the computation of basic earnings per share | \$ 1,384,818 | \$ 1,230,588 |
| Effect of potentially dilutive ordinary shares | | |
| Employee restricted shares | - | - |
| Employee s' compensation | - | - |
| Earnings used in the computation of diluted earnings per share | <u>\$ 1,384,818</u> | <u>\$ 1,230,588</u> |

Weighted average number of ordinary shares outstanding (in thousands of shares):

| | For the Year Ended December 31 | |
|---|---------------------------------------|----------------|
| | 2020 | 2019 |
| Weighted average number of ordinary shares in computation of basic earnings per share | 120,131 | 119,796 |
| Effect of potentially dilutive ordinary shares: | | |
| Employee restricted shares | - | 371 |
| Employees' compensation | <u>924</u> | <u>776</u> |
| Weighted average number of ordinary shares in computation of diluted earnings per share | <u>121,055</u> | <u>120,943</u> |

Since the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus will be settled in shares, and the resulting potential shares were 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.

26. SHARE-BASED PAYMENT ARRANGEMENTS

Employee restricted shares

In the shareholders' meeting on June 22, 2016, the shareholders approved a restricted share plan for employees with a total amount of \$15,000 thousand, consisting of 1,500 thousand shares. The aforementioned resolution was made effective by the FSC on July 15, 2016.

The board of directors of the Company approved the issuance of 1,500 thousand shares of restricted shares awards to employees in their meeting on August 5, 2016 totaling \$15,000 thousand, with face value of \$10 for each share, and the price of each share was NT\$0 (that is, free of charge). The dates of issuance and distribution were both August 5, 2016, and the fair value of the shares on the date of distribution was \$103.5.

After the employees have been awarded the restricted shares awards, if the employees remain employed by the Company at the end of the vesting periods in the table below, without violate any laws, labor contracts, work rules, work regulations and other agreements with the Company, and achieved the Company's set of business objectives, the maximum number of shares awarded will be based on the proportions in the table below, however, the actual proportion awarded will be based on the attainment of the Company's operating goals.

| Vesting Period | Proportion |
|--|-------------------|
| Remain employed by the Company for one year | 25% |
| Remain employed by the Company for two years | 30% |
| Remain employed by the Company for three years | 45% |

Employees who remain employed by the Company after the expiration of the vesting period and who have not violated the labor contract, work rules, etc., and have achieved the performance requirements of the Company, may receive the new shares.

The restrictions after the aforementioned employees are awarded or subscribed new shares, but not yet vested are as follows:

- a. According to the trust agreement, after the employee acquired the new shares, the employee cannot sell, mortgage, transfer, donate, pledge, no objection to the right to buy, or other way due to disposal before the vested condition is reached. However, if there are other norms in this measure, they shall be followed.
- b. The attendance, proposals, speeches, and voting rights of the shareholders' meeting shall be executed by the trust custodian institution according to law.
- c. Employee restricted shares, after the new shares are issued, they should be immediately delivered to the trust, and the employee must not ask the trustee for any reason or manner to receive the return of the employee's rights to new shares before the vested condition is reached.
- d. The new shares issued by the Company that restrict employee rights shall be handled in the form of stock trusts, and the Company or the person designated by the company shall sign and revise the trust related contracts on behalf of all the assigned employees. If the employees violate the aforementioned provisions or terminate the Company's or the agent's authorization to manage the trust before the vested conditions are met, the Company has the right to withdraw the shares from the trust with no charge and cancel those shares.

Relevant information on new shares of restricted employee share awards issued is as follows:

| | Number of Shares (In Thousands of Shares) |
|------------------------|--|
| | <u>2019</u> |
| Balance at January 1 | 659 |
| Vested | (573) |
| Cancelled | <u>(86)</u> |
| Balance at December 31 | <u><u>-</u></u> |

Compensation costs recognized was \$16,782 thousand for the years ended December 31, 2019, respectively.

The Company had been acquired and canceled the employee's restricted shares in August, 2019.

27. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

On July 26 2019, the Company subscribed for additional new shares of HeFei Sitronix Co., Ltd. at a percentage different from its existing ownership percentage, increasing its continuing interest from 84.00% to 90.00%.

On February 15 2019, the Company subscribed for additional new shares of HeFei Sitronix Co., Ltd. at a percentage different from its existing ownership percentage, increasing its continuing interest from 75.00% to 84.00%.

Due to partial disposal of Sensortek Technology Corp.'s shares on June 1, 2020, the shareholding ratio decreased from 50.44% to 50.34%.

On June 4, 2020, the Company subscribed for additional new shares of Sensortek Technology Corp. at a percentage different from its existing ownership percentage, decreasing its continuing interest from 50.34% to 46.06%.

Due to the distribution of employees' compensation in the form of shares by Sensortek Technology Corp. on March 4, 2019, the Company's shareholding percentage decreased from 53.93% to 51.18%.

Due to partial disposal of Sensortek Technology Corp.'s shares on May 22, 2019, the shareholding ratio decreased from 51.18% to 50.44%.

On December 24, 2020, as the Company repurchased all of the shares of Forcelead Technology Corp., the shareholding ratio increased from 83.86% to 100%.

Due to the distribution of employees' compensation in the form of shares by Forcelead Technology Corp. on June 24, 2020, the Company's shareholding percentage decreased from 84.14% to 83.86%.

On September 18, 2019, as the Company repurchased some of the shares of Forcelead Technology Corp., the shareholding ratio increased from 75.72% to 84.14%, please refer to Note 31 "Transactions with related parties" for more information.

Due to the distribution of employees' compensation in the form of shares by Forcelead Technology Corp. on June 24, 2019, the Company's shareholding percentage decreased from 75.83% to 75.72%.

On July 27, 2020, due to the Sync-Tech system Corp.'s employees execute options to issue new shares, the Company's shareholding percentage decreased from 50.80% to 48.75%.

On December 23, 2019, due to the Sync-Tech system Corp.'s employees execute options to issue new shares, the Company's shareholding percentage decreased from 52.53% to 50.80%.

On July 29, 2019, the Company subscribed for additional new shares of Sync-Tech system Corp. at a percentage different from its existing ownership percentage, decreasing its continuing interest from 55.11% to 52.53%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries. For details about the partial acquisition of subsidiaries, refer to Note 27 to the Company's consolidated financial statements for the year ended December 31, 2020.

28. CASH FLOW INFORMATION

a. Changes in liabilities arising from financing activities

2020

| | Opening Balance | Cash Flows | Non-cash Changes | | | Closing Balance |
|-----------------------------|--------------------|--------------------|---------------------------------|-----------------|------------------|--------------------|
| | | | Foreign Exchange Movement | New Leases | Others (Note) | |
| Short-term borrowings | \$ 278,814 | \$ (35,654) | \$ 4,616 | \$ - | \$ - | \$ 247,776 |
| Lease liabilities | 36,979 | (24,516) | - | 3,687 | (578) | 15,572 |
| Guarantee deposits received | <u>31,678</u> | <u>18,092</u> | <u>(2,376)</u> | <u>-</u> | <u>-</u> | <u>47,394</u> |
| | <u>\$ 347,471</u> | <u>\$ (42,078)</u> | <u>\$ 2,240</u> | <u>\$ 3,687</u> | <u>\$ (578)</u> | <u>\$ 310,742</u> |

2019

| | Opening Balance | Cash Flows | Non-cash Changes | | | Closing Balance |
|-----------------------------|--------------------|---------------------|---------------------------------|-----------------|------------------|--------------------|
| | | | Foreign Exchange Movement | New Leases | Others (Note) | |
| Short-term borrowings | \$ 445,368 | \$ (163,349) | \$ (3,205) | \$ - | \$ - | \$ 278,814 |
| Lease liabilities | 59,326 | (25,030) | - | 1,926 | 757 | 36,979 |
| Guarantee deposits received | <u>22,791</u> | <u>10,374</u> | <u>(1,487)</u> | <u>-</u> | <u>-</u> | <u>31,678</u> |
| | <u>\$ 527,485</u> | <u>\$ (178,005)</u> | <u>\$ (4,692)</u> | <u>\$ 1,926</u> | <u>\$ 757</u> | <u>\$ 347,471</u> |

Note: Other comprises with interest expense of lease liabilities and variance of lease liabilities due to lease modification.

29. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

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.

30. FINANCIAL INSTRUMENTS

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

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements are relatively close to their fair values or their fair values cannot be reliably measured.

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

1) Fair value hierarchy

December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|-------------------|-------------|-------------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Domestic corporate funds | \$ 153,744 | \$ - | \$ - | \$ 153,744 |
| Convertible bonds | - | 45,191 | - | 45,191 |
| Derivative financial assets | | | | |
| Convertible bonds - credit linked structured products | - | 40,359 | - | 40,359 |
| Foreign exchange forward contracts | <u>-</u> | <u>24,483</u> | <u>-</u> | <u>24,483</u> |
| | <u>\$ 153,744</u> | <u>\$ 110,033</u> | <u>\$ -</u> | <u>\$ 263,777</u> |

(Continued)

| | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|-------------|-------------------|-------------------|
| <u>Financial assets at FVTOCI</u> | | | | |
| Investments in equity instruments at FVTOCI | | | | |
| Domestic listed shares | \$ 264,088 | \$ - | \$ - | \$ 264,088 |
| Foreign listed shares | 36,847 | - | - | 36,847 |
| Domestic unlisted equity investments | - | - | 37,485 | 37,485 |
| Foreign unlisted equity investments | - | - | 267,431 | 267,431 |
| Investments in debt instruments at FVTOCI | | | | |
| Foreign corporate bonds | <u>14,376</u> | <u>-</u> | <u>-</u> | <u>14,376</u> |
| | <u>\$ 315,311</u> | <u>\$ -</u> | <u>\$ 304,916</u> | <u>\$ 620,227</u> |

Financial liabilities at FVTPL

| | | | | |
|-------------|-------------|-----------------|-------------|--------------------------------|
| Derivatives | <u>\$ -</u> | <u>\$ 4,390</u> | <u>\$ -</u> | <u>\$ 4,390</u> (Concluded) |
|-------------|-------------|-----------------|-------------|--------------------------------|

December 31, 2019

| | Level 1 | Level 2 | Level 3 | Total |
|---|------------------|------------------|-------------|-------------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Derivative financial assets | | | | |
| Convertible bonds - credit linked structured products | \$ - | \$ 16,165 | \$ - | \$ 16,165 |
| Foreign exchange forward contracts | - | 2,308 | - | 2,308 |
| Foreign listed shares | 31,513 | - | - | 31,513 |
| Domestic corporate funds | 26,283 | - | - | 26,283 |
| Convertible bonds | <u>-</u> | <u>75,822</u> | <u>-</u> | <u>75,822</u> |
| | <u>\$ 57,796</u> | <u>\$ 94,295</u> | <u>\$ -</u> | <u>\$ 152,091</u> |

Financial assets at FVTOCI

| | | | | |
|---|-------------------|-------------|-------------------|-------------------|
| Investments in equity instruments at FVTOCI | | | | |
| Domestic listed shares | \$ 315,609 | \$ - | \$ - | \$ 315,609 |
| Foreign unlisted equity investments | - | - | 383,942 | 383,942 |
| Investments in debt instruments at FVTOCI | | | | |
| Foreign corporate bonds | <u>14,903</u> | <u>-</u> | <u>-</u> | <u>14,903</u> |
| | <u>\$ 330,512</u> | <u>\$ -</u> | <u>\$ 383,942</u> | <u>\$ 714,454</u> |

Financial liabilities at FVTPL

| | | | | |
|-------------|-------------|---------------|-------------|---------------|
| Derivatives | <u>\$ -</u> | <u>\$ 178</u> | <u>\$ -</u> | <u>\$ 178</u> |
|-------------|-------------|---------------|-------------|---------------|

There were no transfers between Level 1 and Level 2 in 2020 and 2019.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

| <u>Financial Instruments</u> | <u>Valuation Techniques and Inputs</u> |
|--|--|
| Convertible bonds | Based on the public market quotes provided by third-party agencies. |
| Credit linked notes - linked with convertible bonds | Based on the public market quotation of convertible bond, the parameters of the repurchase, the coupon interest and the interest compensation are considered as the basis for fair value measurement. |
| Derivatives - foreign exchange forward contracts and cross-currency swap contracts | Discounted cash flow method: Estimate the future cash flow at the end of the period by observing the forward exchange rate and the exchange rate and interest rate set by the contract, and have already discounted the discount rate of each counterparty's credit risk. |

3) Valuation techniques and inputs applied for Level 3 fair value measurement

Foreign unlisted equity investments are evaluated by the method of net asset value. The management of the company evaluates the target of such equity investments with the active market quotation, and the net asset amount tends to the fair value of the equity investments.

4) Adjustment of financial instruments measured using Level 3 fair values

The Company's financial assets under level 3 fair value measurement are equity instruments measured at fair value through other comprehensive income.

| | <u>For the Year Ended December 31</u> | |
|--|---------------------------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| Balance at January 1 | \$ 383,942 | \$ 317,616 |
| Additions | 30,000 | - |
| Disposals | (24,596) | - |
| Recognized in other comprehensive income | <u>(84,430)</u> | <u>66,326</u> |
| Balance at December 31 | <u>\$ 304,916</u> | <u>\$ 383,942</u> |

c. Categories of financial instruments

| | <u>December 31</u> | |
|---|--------------------|-------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Financial assets</u> | | |
| Financial assets at FVTPL | | |
| Mandatorily classified as at FVTPL | \$ 263,777 | \$ 152,091 |
| Financial assets at amortized cost (1) | 2,749,702 | 2,491,931 |
| Financial assets at FVTOCI | | |
| Equity instruments | 605,851 | 699,551 |
| Debt instruments | 14,376 | 14,903 |
| <u>Financial liabilities</u> | | |
| Financial liabilities at FVTPL | | |
| Held for trading | 4,390 | 178 |
| Financial liabilities at amortized cost (2) | 1,871,399 | 2,062,596 |

- 1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, time deposits with original maturity not more than 3 months, pledged time deposits, notes and trade receivables (including receivables from related parties), other receivables (including other receivables from related parties), other current assets and refundable deposits.
- 2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, accounts payable, payables to related parties, other payables, other payables to related parties and other current liabilities.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, trade receivables, trade payables and short-term borrowings. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, 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 seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

There has been no change in the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company's operating activities are partially denominated in foreign currencies and thus have partial natural hedging effects.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 35.

Sensitivity analysis

The Company was mainly exposed to the USD, JPY and CNY.

The following table details the Company's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e. the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in pre-tax

profit and other equity associated with the New Taiwan dollar weakening (strengthening) 5% against the relevant currency.

| | USD Impact | | JPY Impact | | CNY Impact | |
|----------------|---|-------------|---|-------------|---|-------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Profit or loss | \$ (2,156) | \$ (1,354) | \$ 135 | \$ (406) | \$ 5 | \$ 135 |

b) Interest rate risk

The Company was exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates.

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

| | December 31 | |
|-------------------------------|--------------------|--------------|
| | 2020 | 2019 |
| Fair value interest rate risk | | |
| Financial assets | \$ 1,555,607 | \$ 1,142,842 |
| Financial liabilities | 247,776 | - |
| Cash flow interest rate risk | | |
| Financial assets | 203,656 | 317,617 |
| Financial liabilities | - | 278,814 |

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 reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 0.1% 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 increase/decrease by \$204 thousand and \$39 thousand, which was mainly attributable to the Company's exposure to interest rates on variable-rate net assets. The Company's pre-tax other comprehensive income for the year ended December 31, 2020 and 2019 would decrease/increase by \$14 thousand and \$15 thousand, which was mainly due to the changes in the fair value of investments in fixed-rate debt instruments at FVTOCI.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities and mutual funds investment. The Company does not actively trade these investments. The Company's equity price is concentrated in equity instrument operating in semiconductor industry, finance and insurance industry, and Exchange Traded Fund quoted in the Taiwan Stock Exchange and Taipei Exchange.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax income for the year ended December 31, 2020 and 2019 would have increase/decreased by \$7,687 thousand and \$2,890 thousand as a result of changes in fair value of financial assets at FVTPL. If equity prices had been 5% higher/lower, pre-tax other comprehensive income for the year ended December 31, 2020 and 2019 would have increased/decreased by \$15,074 thousand and \$15,780 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

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 reporting period, the Company's maximum exposure to credit risk, which would cause 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 total of the following the carrying amount of the respective recognized financial assets as stated in the balance sheets.

To mitigate credit risk, the management of the Company assigns a dedicated team responsible for credit line decisions, credit approvals and other monitoring procedures to ensure appropriate actions are taken for the collections of overdue receivables. In addition the Company reviews conditions on each collecting receivable to ensure the uncollectible amounts are provided with appropriate impairment losses. Accordingly, the management of the Company believes that the credit risk of the Company has been significantly reduced.

In addition, since the counterparties of liquidity and derivative financial instruments are banks with sound credit ratings, the credit risk is limited.

Apart from customers whose total accounts receivable constitute more than 10% of the Company's total accounts receivable, the Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company's concentration of credit risk was of 38% and 62% of total trade receivables as of December 31, 2020 and 2019, respectively. The credit risk is minimal because the customers which account for more than 10% of the Company's accounts receivable balance are creditworthy companies.

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. As of December 31, 2020 and 2019, the Company had available unutilized short-term bank loan facilities set out in (c) below.

a) Liquidity and interest rate risk tables 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 included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were 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 | Total |
|---|---|-------------------|-------------------------------|------------------|--------------|
| <u>Non-derivative financial liabilities</u> | | | | | |
| Non-interest bearing liabilities | \$ 562,088 | \$ 710,551 | \$ 350,874 | \$ - | \$ 1,623,513 |
| Fixed interest rate liabilities | 247,886 | - | - | - | 247,886 |
| Lease liabilities | 2,021 | 4041 | 7,235 | 2,388 | 15,685 |

December 31, 2019

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | Total |
|---|---|-------------------|-------------------------------|------------------|--------------|
| <u>Non-derivative financial liabilities</u> | | | | | |
| Non-interest bearing liabilities | \$ 675,584 | \$ 912,385 | \$ 195,362 | \$ - | \$ 1,783,331 |
| Variable interest rate liabilities | - | 279,265 | - | - | 279,265 |
| Lease liabilities | 2,104 | 4,076 | 18,257 | 12,995 | 37,432 |

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

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Company's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2020

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years |
|------------------------------------|---|--------------------|-------------------------------|------------------|
| Foreign exchange forward contracts | | | | |
| Inflows | \$ 685,666 | \$ 1,705,097 | \$ - | \$ - |
| Outflows | <u>(679,810)</u> | <u>(1,690,860)</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 5,856</u> | <u>\$ 14,237</u> | <u>\$ -</u> | <u>\$ -</u> |

December 31, 2019

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years |
|------------------------------------|---|-------------------|-------------------------------|------------------|
| Foreign exchange forward contracts | | | | |
| Inflows | \$ 60,810 | \$ 420,728 | \$ 59,918 | \$ - |
| Outflows | <u>(59,960)</u> | <u>(419,406)</u> | <u>(59,960)</u> | <u>-</u> |
| | <u>\$ 850</u> | <u>\$ 1,322</u> | <u>\$ (42)</u> | <u>\$ -</u> |

c) Financing facilities

| | December 31 | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Unsecured bank overdraft facilities, reviewed annually and payable on demand: | | |
| Amount used | \$ 247,776 | \$ 278,814 |
| Amount unused | <u>3,014,784</u> | <u>2,735,496</u> |
| | <u>\$ 3,262,560</u> | <u>\$ 3,014,310</u> |

31. TRANSACTIONS WITH RELATED PARTIES

In addition to those disclosed in other notes, detail of transactions between the Company and related parties are disclosed below.

a. Related party name and category

| <u>Related Party Name</u> | <u>Related Party Category</u> |
|--|--|
| Sensortek Technology Corp. | Subsidiary |
| Forcelead Technology Corp. | Subsidiary |
| mCore Technology Corp. | Subsidiary |
| Infinno Technology Corp. | Subsidiary |
| Sync-Tech System Corp. | Subsidiary |
| Sitronix Investment Corp. | Subsidiary |
| HeFei Sitronix Co., Ltd. | Subsidiary |
| HeFei ezGreen Co., Ltd. | Subsidiary |
| ezGreen Inc. | Subsidiary |
| Sitronix Technology (Mauritius) Corp. | Subsidiary |
| Sitronix Technology (Shenzhen) Co., Ltd. | Subsidiary |
| Silicon Power Computer & Communications Inc. | Substantive related party |
| ezGlobal Corp. | Substantive related party |
| Vincent Mao | The Company's key management personnel |
| Wen Bin Lin | The Company's key management personnel |
| Chun Sheng Lin | The Company's key management personnel |
| I Hsi Cheng | The Company's key management personnel |
| Wei Wang | The Company's key management personnel |
| Shu Fang Xu | The Company's key management personnel |
| Meng Huang Liu | The Company's key management personnel |
| Zheng Long Jiang | Subsidiary's key management personnel |
| Xi Hao Zhong | Subsidiary's key management personnel |
| Min Huei Jhang | Subsidiary's key management personnel |
| Ru Hung Chen | Subsidiary's key management personnel |
| Jian-Yuan Zhao | Subsidiary's key management personnel |
| Da-Hu Su | Subsidiary's key management personnel |

b. Sales of goods

| Related Party Category | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Subsidiary | \$ 64,007 | \$ 75,792 |
| Substantive related party | <u>186</u> | <u>102</u> |
| | <u>\$ 64,193</u> | <u>\$ 75,894</u> |

The transactions for related parties were negotiated under the terms of general transactions and prices.

c. Purchases

| Related Party Category/Name | For the Year Ended December 31 | |
|-----------------------------|---------------------------------------|---------------------|
| | 2020 | 2019 |
| <u>Subsidiary</u> | | |
| Sensortek Technology Corp. | \$ 628,201 | \$ 937,342 |
| Others | <u>19,661</u> | <u>63,461</u> |
| | <u>\$ 647,862</u> | <u>\$ 1,000,803</u> |

The transactions in which the Company purchases goods from related parties were negotiated under the terms of general transactions and prices.

d. Manufacturing expenses

| Related Party Category | For the Year Ended December 31 | |
|------------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Subsidiary | <u>\$ 49,860</u> | <u>\$ 57,590</u> |

The transactions in which the Company made payments of manufacturing expenses to related parties were subject to contractual agreements as there were no similar transactions for comparison.

e. Operating expenses

| Related Party Category | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Subsidiary | \$ 112,124 | \$ 117,143 |
| Substantive related party | <u>2,383</u> | <u>-</u> |
| | <u>\$ 114,507</u> | <u>\$ 117,143</u> |

The transactions in which the Company made payments of operating expenses to related parties were subject to contractual agreements as there were no similar transactions for comparison.

f. Expenditure on technical services

| Related Party Category | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Subsidiary | \$ <u> -</u> | \$ <u> 1,236</u> |

The transaction in which the Company made payment of expenditure on technical services to a related party were subject to a contractual agreement as there were no similar transactions for comparison.

g. Other operating income and expenses

| Related Party Category | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Subsidiary | \$ <u> 629</u> | \$ <u> 143</u> |

The transactions in which the Company made collections or payments of other operating income and expenses to related parties were subject to contractual agreements as there were no similar transactions for comparison.

h. Handling fee revenue

| Related Party Category | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Subsidiary | \$ <u> 992</u> | \$ <u> 1,575</u> |

The transactions in which the Company made collections of handling fees to related parties were subject to contractual agreements as there were no similar transactions for comparison.

i. Other revenue

| Related Party Category | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Subsidiary | \$ <u> 2,623</u> | \$ <u> 423</u> |

The transactions in which the Company made collections of other revenue to related parties were subject to contractual agreements as there were no similar transactions for comparison.

j. Receivables from related parties

| Related Party Category | December 31 | |
|-------------------------------|--------------------|------------------|
| | 2020 | 2019 |
| Subsidiary | \$ 12,808 | \$ 16,158 |
| Substantive related party | <u> 24</u> | <u> 58</u> |
| | \$ <u>12,832</u> | \$ <u>16,216</u> |

The outstanding accounts receivable from related parties were unsecured. No impairment losses were recognized for accounts receivable from related parties as of December 31, 2020 and 2019.

- k. Other receivables from related parties (excluding loans to related parties)

| Related Party Category | December 31 | |
|-------------------------------|--------------------|-----------------|
| | 2020 | 2019 |
| Subsidiary | <u>\$ 9,740</u> | <u>\$ 4,545</u> |

Other receivables from related parties are mainly generated from rental income, endorsement guarantee fees and collection and payment.

- l. Payables to related parties

| Related Party Category/Name | December 31 | |
|------------------------------------|--------------------|-------------------|
| | 2020 | 2019 |
| <u>Subsidiary</u> | | |
| Sensortek Technology Corp. | \$ 157,072 | \$ 175,262 |
| mCore Technology Corp. | 23 | 9,673 |
| Others | <u>27</u> | <u>231</u> |
| | <u>\$ 157,122</u> | <u>\$ 185,166</u> |

The outstanding payables to related parties are unsecured.

- m. Other payables to related parties

| Related Party Category | December 31 | |
|-------------------------------|--------------------|------------------|
| | 2020 | 2019 |
| Subsidiary | \$ 10,323 | \$ 11,804 |
| Substantive related party | <u>1,050</u> | <u>-</u> |
| | <u>\$ 11,373</u> | <u>\$ 11,804</u> |

Other payables to related parties are mainly due to technical service expenditure and manufacturing expenses.

- n. Acquisition of property, plant and equipment

| Related Party Category | Purchase Price | |
|-------------------------------|---------------------------------------|-------------|
| | For the Year Ended December 31 | |
| | 2020 | 2019 |
| Subsidiary | <u>\$ 10,000</u> | <u>-</u> |

The term of the transaction of acquiring of property, plant and equipment from a related party was subject to a contractual agreement as there was no similar transaction for comparison.

o. Property transactions

For the year ended December 31, 2020

| Related Party Category | Item | Number of Shares | Underlying Asset | Acquisition price |
|--|---|-------------------------|---|--------------------------|
| The Company and its subsidiaries' key management personnel | Long-term equity investment accounted for using the equity method | 2,168,997 | Securities - Forcelead Technology Corp. | \$ 78,084 |
| Subsidiary | Long-term equity investment accounted for using the equity method | 1,694 | Securities - Forcelead Technology Corp. | <u>61</u> |
| | | | | <u>\$ 78,145</u> |

For the year ended December 31, 2019

| Related Party Category | Item | Number of Shares | Underlying Asset | Acquisition price |
|--|---|-------------------------|---|--------------------------|
| The Company and its subsidiaries' key management personnel | Long-term equity investment accounted for using the equity method | 1,158,000 | Securities - Forcelead Technology Corp. | <u>\$ 74,112</u> |

In December 2020 and September 2019, transactions in which the Company obtained financial assets from related parties were subject to contractual agreements as there were no similar transaction for comparison.

p. Rental arrangements - the Company is lessee

| Related Party Category | <u>For the Year Ended December 31</u> | |
|-------------------------------|--|-----------------|
| | 2020 | 2019 |
| Right-of-use assets | | |
| Subsidiary | <u>\$ -</u> | <u>\$ 2,597</u> |

The Company obtained machinery which was recognized as right-of-use assets from its subsidiary, which had a lease term of 5 years. The Company does not have bargain purchase options to acquire the machinery at the end of the lease period.

| Line Item | Related Party Category | <u>December 31</u> | |
|-------------------|-------------------------------|---------------------------|-----------------|
| | | 2020 | 2019 |
| Lease liabilities | Subsidiary | <u>\$ -</u> | <u>\$ 1,309</u> |

| Related Party Category | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|--------------|
| | 2020 | 2019 |
| Interest expense | | |
| Subsidiary | \$ <u>5</u> | \$ <u>32</u> |
| Lease expense | | |
| Subsidiary | \$ <u>-</u> | \$ <u>-</u> |

The terms of the transactions involving the payment of rental expenses to related parties were calculated based on contractual agreements as there were no similar transactions for comparison.

- q. Lease arrangement - the Company is lessor

Operating lease rental

Future lease receivable are as follows:

| Related Party Category | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Subsidiary | \$ 47,168 | \$ 62,891 |
| Substantive related party | <u>508</u> | <u>508</u> |
| | \$ <u>47,676</u> | \$ <u>63,399</u> |

Lease income was as follows:

| Related Party Category | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| <u>Subsidiary</u> | | |
| Sync-Tech System Corp. | \$ 10,555 | \$ 15,100 |
| Sensortek Technology Corp. | 4,348 | 4,347 |
| Others | <u>5,911</u> | <u>5,911</u> |
| Subtotal | 20,814 | 25,358 |
| Substantive related party | <u>2,037</u> | <u>2,037</u> |
| | \$ <u>22,851</u> | \$ <u>27,395</u> |

Calculation of deposit and interest

| | | |
|---------------------------|--------------|--------------|
| Subsidiary | \$ 25 | \$ 25 |
| Substantive related party | <u>4</u> | <u>4</u> |
| | \$ <u>29</u> | \$ <u>29</u> |

The Company leases investment properties, machinery and equipment to subsidiaries and substantive related parties mainly through operating leases and the lease period is 5 to 6 years. Rental income from related parties are based on contractual agreements as there were no similar transactions for comparison.

r. Disposal of expertise

| Related Party | Line Item | Proceeds | | Gain (Loss) on Disposal | |
|---------------|---|--------------------|------|-------------------------|------|
| | | For the Year Ended | | For the Year Ended | |
| | | December 31 | | December 31 | |
| | | 2020 | 2019 | 2020 | 2019 |
| Subsidiary | Long-term equity investment accounted for using the equity method | \$ 78,691 | \$ - | \$ 2,623 | \$ - |

Since there are no related similar transactions for comparison for the transactions between the Company and its subsidiaries, the transaction terms are calculated in accordance with the contractual agreements. The total gain from the disposal is \$78,691 thousand, and \$2,623 thousand has been realized this year; the remaining disposal gain will be deferred.

s. Guarantee deposits received

| Related Party Category | December 31 | |
|---------------------------|-----------------|-----------------|
| | 2020 | 2019 |
| Subsidiary | \$ 2,449 | \$ 2,449 |
| Substantive related party | <u>356</u> | <u>356</u> |
| | <u>\$ 2,805</u> | <u>\$ 2,805</u> |

The guarantee deposits received are mainly generated from the rental deposit.

t. Loans to related parties

| Related Party Category | December 31 | |
|--|------------------|------------------|
| | 2020 | 2019 |
| Other receivables from related parties | | |
| Subsidiary | <u>\$ 53,144</u> | <u>\$ 62,678</u> |
| Interest Income | | |
| Subsidiary | <u>\$ 560</u> | <u>\$ 1,171</u> |

The Company provides short-term loans to subsidiaries with interest rates ranging from 0.89% to 0.91% and 1.15% to 2.38% in 2020 and 2019, respectively. As there were no similar transactions for comparison, the terms of the transaction were subject to contractual agreements.

u. Endorsements and guarantees provided by the Company

| Related Party Category | December 31 | |
|------------------------|-------------------|---------------------|
| | 2020 | 2019 |
| Subsidiary | | |
| Amount endorsed | <u>\$ 900,000</u> | <u>\$ 1,000,000</u> |
| Amount utilized | <u>\$ 266,110</u> | <u>\$ 288,892</u> |

The Company provides endorsement guarantees for subsidiaries to obtain purchase contracts from suppliers and bank credit lines. The terms and conditions of the transaction for the collection of relevant handling fees shall be subject to contractual agreements, as there were no similar transactions to follow.

v. Remuneration of key management personnel

| | For the Year Ended December 31 | |
|------------------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Short-term employee benefits | \$ 63,125 | \$ 58,718 |
| Share-based payments | - | 6,612 |
| Post-employment benefits | <u>745</u> | <u>740</u> |
| | <u>\$ 63,870</u> | <u>\$ 66,070</u> |

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and the Company's profits.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the tariff of imported raw materials guarantees:

| | December 31 | |
|------------------|--------------------|------------------|
| | 2020 | 2019 |
| Pledged deposits | <u>\$ 29,104</u> | <u>\$ 28,955</u> |

Pledged deposits are classified as financial assets measured at amortized cost-current.

33. OTHER MATTERS

Due to the impact of the COVID-19 pandemic, the Company's operating income decrease in 2020. With the easing of the epidemic and loosening of government policies, the Company expects that operations will gradually return to normal.

34. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On March 18, 2021, the Company's board of directors resolved to spin off the automotive business division (the division) and relevant assets (including assets, liabilities and business) to 100% owned subsidiary, Forcelead Technology Corp. The Company expects that the operating value of the division will be \$108,000 thousand, and Forcelead Technology Corp. will issue 3,000,000 new ordinary shares, with a par value of \$10, at \$36 per share as the consideration. If there is still a shortage from the proceeds of the issuance of shares, within 30 days after the completion of the change registration, Forcelead Technology Corp. would make a lump-sum payment to the Company based on the operating value of the shares in exchange for the shortage. If the actual and expected operating value of the division were different on the spin-off completion date, the Company and Forcelead Technology Corp. would compensate each other with cash. The spin-off completion date is set as June 1, 2021, tentatively.

35. 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 foreign currencies and respective functional currencies were as follows:

| | December 31 | | | |
|------------------------------|---------------------|------------------|---------------------|------------------|
| | 2020 | | 2019 | |
| | Foreign Currency | Exchange Rate | Foreign Currency | Exchange Rate |
| <u>Financial assets</u> | | | | |
| Monetary items | | | | |
| USD | \$ 45,949 | 28.480 | \$ 56,185 | 29.980 |
| JPY | 10,672 | 0.2763 | 31,621 | 0.2760 |
| CNY | 24 | 4.377 | 625 | 4.305 |
| Non-monetary items | | | | |
| USD | 12,204 | 28.480 | 15,374 | 29.980 |
| <u>Financial liabilities</u> | | | | |
| Monetary items | | | | |
| USD | 47,463 | 28.480 | 57,088 | 29.980 |
| JPY | 892 | 0.2763 | 61,009 | 0.2760 |

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

| Foreign Currency | For the Year Ended December 31 | | | |
|---------------------|--------------------------------|---|--------------------|---|
| | 2020 | | 2019 | |
| | Exchange Rate | Net Foreign Exchange Gains (Losses) | Exchange Rate | Net Foreign Exchange Gains (Losses) |
| USD | 1:28.480 (USD:NTD) | \$ (306) | 1:29.280 (USD:NTD) | \$ 8,420 |
| JPY | 1:0.2763 (JPY:NTD) | (9) | 1:0.2760 (JPY:NTD) | 85 |
| CNY | 1:4.377 (CNY:NTD) | <u>7</u> | 1:4.305 (CNY:NTD) | <u>(20)</u> |
| | | <u>\$ (308)</u> | | <u>\$ 8,485</u> |

36. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. information on investees:

- 1) Financing provided to others: Table 1 (attached)
- 2) Endorsements/guarantees provided: Table 2 (attached)
- 3) Marketable securities held (excluding investment in subsidiaries): Table 3 (attached)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 5 (attached)

- 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: Table 6 (attached)
 - 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: Note 7 and Note 30
 - 10) Information on investee: Table 7 (attached)
- c. Information on investments in mainland China: Tables 8 and 9 (attached)
 - 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

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Lender | Borrower | Financial Statement Account | Related Parties | Highest Balance for the Period | Ending Balance | Actual Amount Borrowed | Interest Rate | Nature of Financing | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower | Aggregate Financing Limits |
|-----|-------------|----------------------------|--|-----------------|--------------------------------|----------------|------------------------|---------------|---------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|-----------------------------------|----------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 0 | The Company | mCore Technology Corp. | Other receivables from related parties | Yes | \$ 100,000 | \$ 100,000 | \$ 6,579 | 0.89% | For financing | \$ - | Working capital | \$ - | - | \$ - | \$ 1,328,228 | \$ 2,656,455 |
| | | Forcelead Technology Corp. | Other receivables from related parties | Yes | 100,000 | 100,000 | - | - | For financing | - | Working capital | - | - | - | 1,328,228 | 2,656,455 |
| | | Infinno Technology Corp. | Other receivables from related parties | Yes | 100,000 | 100,000 | 46,565 | 0.89%-0.91% | For financing | - | Working capital | - | - | - | 1,328,228 | 2,656,455 |
| | | Sync-Tech System Corp. | Other receivables from related parties | Yes | 100,000 | 100,000 | - | - | For financing | - | Working capital | - | - | - | 1,328,228 | 2,656,455 |

Note 1: The description is as follows

- Lender is numbered as 0.
- Investee is numbered sequentially from 1.

Note 2: According to the "Financing providing and operation management method", the total amount and the available amount to any individual for lending are as follows :

- The total amount for lending shall not exceed forty percent of SITRONIX's net worth .However the total amount lendable to any subsidiary for short-term financing could upper to the total available amount of the company.
- The total amount for lending to or lending from any directly or indirectly hold foreign subsidiaries with 100% ownership, shall not exceed 40% of the net worth of the lending company. The total amount for lending to any individual shall not exceed 50% of the total available amount.
- Where funds are lent to a company or business with business relationships with the Company, the total amount for lending to any individual shall not exceed the amount of business transaction between the two parties. Amount of business transaction defines the highest amount of purchase or sales.
- The total amount for lending to any individual shall not exceed 50% of the Company's net worth for the company or firm that needs short-term financing.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020

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

| No. (Note 1) | Endorser/ Guarantor | Endorsee/Guarantee | | Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Amount Borrowed | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit (Note 2) | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China |
|-----------------|------------------------|----------------------------|--------------|--|--|---|---------------------------|--|--|---|---|---|---|
| | | Name | Relationship | | | | | | | | | | |
| 0 | The Company | Forcelead Technology Corp. | Subsidiary | \$ 3,320,569 | \$ 300,000 | \$ 300,000 | \$ 142,400 | \$ - | 4.52 | \$ 3,320,569 | Yes | - | - |
| | | mCore Technology Corp. | Subsidiary | 3,320,569 | 100,000 | 100,000 | 22,805 | - | 1.51 | 3,320,569 | Yes | - | - |
| | | Infinno Technology Corp. | Subsidiary | 3,320,569 | 100,000 | 100,000 | 5,696 | - | 1.51 | 3,320,569 | Yes | - | - |
| | | HeFei Sitronix Co., Ltd. | Subsidiary | 3,320,569 | 400,000 | 400,000 | 95,209 | - | 6.02 | 3,320,569 | Yes | - | Yes |

Note 1: The description is as follows

1. Lender is numbered as 0.
2. Investee is numbered sequentially from 1.

Note 2: According to the "endorsement guarantee operation management measures" of Sitronix Technology Corp. the total amount of endorsement guarantee shall not exceed 50% of the net value of the most recent year's financial statements audited by CPA. The amount of endorsement guarantee for a single enterprise shall not exceed 25% of the net value of the most recent year's financial statements audited by CPA. However, the amount of endorsement guarantee for a company that directly and indirectly holds more than 50% of the voting shares of the company shall not exceed 50% of the net value of the most recent year's financial statements audited by CPA..

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

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

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2020 | | | | Note |
|----------------------|--|---------------------------------------|--|---------------------------|-----------------|-----------------------------|------------|--------|
| | | | | Number of Shares (Note 5) | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| The Company | <u>Bond</u> | | | | | | | |
| | FORCAY 3.375% 04/22/2025, USD bond | - | Financial assets at amortized cost - non-current | - | \$ 28,923 | - | \$ 28,923 | Note 2 |
| | Savior Lifetec Corporation Second Secured Convertible Bond | - | Financial assets at fair value through profit or loss - current | - | 36,196 | - | 36,196 | Note 1 |
| | Honhai 2.25% 09/23/2021, USD bond | - | Investments in debt instruments at fair value through other comprehensive income - current | - | 14,376 | - | 14,376 | Note 1 |
| | Chang Wah Electromaterials Inc. Fourth Unsecured Convertible Bond | - | Financial assets at fair value through profit or loss - current | - | 8,995 | - | 8,995 | Note 1 |
| | APAQ Technology Co., Ltd. Second Credit Linked Structured Product | - | Financial assets at fair value through profit or loss - current | - | 3,314 | - | 3,314 | Note 1 |
| | Episil - Precision Inc. Third Credit Linked Structured Product | - | Financial assets at fair value through profit or loss - non-current | - | 7,036 | - | 7,036 | Note 1 |
| | YangMing Marine Transport Corp. fifth Credit Linked Structured Product | - | Financial assets at fair value through profit or loss - current | - | 30,009 | - | 30,009 | Note 1 |
| | <u>Fund</u> | | | | | | | |
| | KGI Taiwan Assets Fund | - | Financial assets at fair value through profit or loss - current | 10,004 | 103,470 | - | 103,470 | Note 1 |
| | TAISHIN JU LONG Fund | - | Financial assets at fair value through profit or loss - current | 4,323 | 50,274 | - | 50,274 | Note 1 |
| | <u>Stock</u> | | | | | | | |
| | SILICON POWER COMPUTER & COMMUNICATIONS INC. | - | Investments in equity instruments at fair value through other comprehensive income - current | 4,149 | 107,659 | - | 107,659 | Note 1 |
| | TAISHIN FINANCIAL HOLDING CO., LTD. Preferred Share E (2) | - | Investments in equity instruments at fair value through other comprehensive income - current | 181 | 9,303 | - | 9,303 | Note 1 |
| | Kowng lung Preferred Shares A | - | Investments in equity instruments at fair value through other comprehensive income - current | 345 | 17,354 | - | 17,354 | Note 1 |
| | WPG Holdings Limited Preferred Shares A | - | Investments in equity instruments at fair value through other comprehensive income - current | 400 | 20,040 | - | 20,040 | Note 1 |
| | ASE Technology Holding Co., Ltd. | - | Investments in equity instruments at fair value through other comprehensive income - current | 140 | 11,382 | - | 11,382 | Note 1 |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2020 | | | | Note |
|-----------------------------|--|---------------------------------------|--|---------------------------|-----------------|-----------------------------|------------|--------|
| | | | | Number of Shares (Note 5) | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| The Company | Chailease Holding Company Limited Preferred Share A | - | Investments in equity instruments at fair value through other comprehensive income - current | 500 | \$ 49,800 | - | \$ 49,800 | Note 1 |
| | WT Microelectronics Co., Ltd. Preferred Share A | - | Investments in equity instruments at fair value through other comprehensive income - current | 1,000 | 48,550 | - | 48,550 | Note 1 |
| | EPD (Enterprise Products Partners) | - | Investments in equity instruments at fair value through other comprehensive income - current | 66 | 36,847 | - | 36,847 | Note 1 |
| | <u>Equity Investment</u> HANS GLOBAL SELECT FUND LIMITED | - | Investments in equity instruments at fair value through other comprehensive income - non-current | 120 | 267,431 | - | 267,431 | Note 3 |
| | Fong Huang Innovation Investment CO., LTD. | - | Investments in equity instruments at fair value through other comprehensive income - non-current | 3,000 | 37,485 | - | 37,485 | Note 3 |
| Sitronix Investment Corp. | <u>Equity Investment</u> HANS GLOBAL SELECT FUND LIMITED | - | Investments in equity instruments at fair value through other comprehensive income - non-current | 112 | 248,488 | - | 248,488 | Note 3 |
| Senserteck Technology Corp. | <u>Bond</u> CHLEAS 3.75% 10/22/2023 USD bond | - | Investments in debt instruments at fair value through other comprehensive income - non-current | - | 58,583 | - | 58,583 | Note 1 |
| | YangMing Marine Transport Corp. fifth Credit Linked Structured Product | - | Financial assets at fair value through profit or loss - current | - | 30,010 | - | 30,010 | Note 1 |
| | China Huadian Corporation 3.375% 06/23/2025 USD bond | - | Investments in debt instruments at fair value through other comprehensive income - non-current | - | 29,156 | - | 29,156 | Note 1 |
| | MIC fourth Unsecured Convertible Bond | - | Financial assets at fair value through profit or loss - current | - | 5,628 | - | 5,628 | Note 1 |
| | <u>Fund</u> KGI Taiwan Assets Fund | - | Financial assets at fair value through profit or loss - current | 20,009 | 206,949 | - | 206,949 | Note 1 |
| | TAISHIN JU LONG Fund | - | Financial assets at fair value through profit or loss - current | 4,323 | 50,273 | - | 50,273 | Note 1 |
| | TAISHIN 1699 Currency Market Fund | - | Financial assets at fair value through profit or loss - current | 3,665 | 50,013 | - | 50,013 | Note 1 |
| | <u>Stock</u> WT Microelectronics Co., Ltd. Preferred Share A | - | Investments in equity instruments at fair value through other comprehensive income - current | 2,000 | 97,100 | - | 97,100 | Note 1 |
| | FuBon Preference Share | - | Investments in equity instruments at fair value through other comprehensive income - current | 800 | 49,840 | - | 49,840 | Note 1 |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2020 | | | | Note |
|-------------------------------------|--|---------------------------------------|--|---------------------------|-----------------|-----------------------------|------------|--------|
| | | | | Number of Shares (Note 5) | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Senserteck Technology Corp. | Chailease Holding Company Limited Preferred Shares A | - | Investments in equity instruments at fair value through other comprehensive income - current | 500 | \$ 49,800 | - | \$ 49,800 | Note 1 |
| | Far Eastern New Century Corporation | - | Investments in equity instruments at fair value through other comprehensive income - current | 675 | 19,541 | - | 19,541 | Note 1 |
| | Tai Shin Financial Holding Co., Ltd. Preferred Shares E | - | Investments in equity instruments at fair value through other comprehensive income - current | 338 | 17,779 | - | 17,779 | Note 1 |
| | Uni-President | - | Investments in equity instruments at fair value through other comprehensive income - current | 250 | 16,875 | - | 16,875 | Note 1 |
| | First Financial Holding Co., Ltd. | - | Investments in equity instruments at fair value through other comprehensive income - current | 730 | 15,586 | - | 15,586 | Note 1 |
| | Taiwan Cement Ltd. | - | Investments in equity instruments at fair value through other comprehensive income - current | 360 | 15,552 | - | 15,552 | Note 1 |
| | Sitronix Technology Corp. | - | Investments in equity instruments at fair value through other comprehensive income - non-current | 138 | 22,425 | - | 22,425 | Note 1 |
| Forcelead Technology Corp. | <u>Bond</u> Tong Ming Enterprise Co., Ltd. First Credit Linked Structured Product | - | Financial assets at fair value through profit or loss - current | - | 10,764 | - | 10,764 | Note 1 |
| | <u>Fund</u> TAISHIN JU LONG Fund | - | Financial assets at fair value through profit or loss - current | 1,747 | 20,316 | - | 20,316 | Note 3 |
| | <u>Share</u> WPG Holdings Limited Preferred Share A | - | Investments in equity instruments at fair value through other comprehensive income - current | 190 | 9,519 | - | 9,519 | Note 1 |
| Sitronix Holding International Ltd. | <u>Bond</u> AT&T INC 5.35% 11/01/66 (TBB) USD bond | - | Investments in debt instruments at fair value through other comprehensive income - non-current | - | 19,102 | - | 19,102 | Note 1 |
| | China Huadian Corporation 3.375% 06/23/2025 USD bond | - | Investments in debt instruments at fair value through other comprehensive income - non-current | - | 29,156 | - | 29,156 | Note 1 |
| | Chailease Finance 3.75% 10/22/2023 USD bond | - | Investments in debt instruments at fair value through other comprehensive income - non-current | - | 29,292 | - | 29,292 | Note 1 |

(Continued)

Note 1: Calculated based on the closing price on December 31, 2020.

Note 2: Listed based on book value.

Note 3: Calculated based on the net value on December 31, 2020.

Note 4: As of December 31, 2020, the above listed marketable securities were neither provided as guarantee nor pledged as collateral for loans.

Note 5: The number of shares/units are in thousands.

Note 6: The marketable securities listed in the table above refer to the securities, bonds, beneficiary certificates and securities that fall within the scope of IFRS 9 “Financial Instruments”.

(Concluded)

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | |
|----------------------------|---|--|--------------|--------------|---------------------------|--------|---------------------------|------------|---------------------------|--------|-----------------|-------------------------|---------------------------|-----------------|
| | | | | | Number of Shares (Note 1) | Amount | Number of Shares (Note 1) | Amount | Number of Shares (Note 1) | Amount | Carrying Amount | Gain (Loss) on Disposal | Number of Shares (Note 1) | Amount (Note 2) |
| Sensortek Technology Corp. | <u>Fund</u> KGI Taiwan Assets Fund | Financial assets at fair value through profit or loss - current | - | - | - | \$ - | 20,009 | \$ 200,000 | - | \$ - | \$ - | \$ - | 20,009 | \$ 206,949 |
| | <u>Stock</u> WT Microelectronics Co., Ltd. Preferred Share A | Investments in equity instruments at fair value through other comprehensive income - current | - | - | - | - | 2,000 | 100,000 | - | - | - | - | 2,000 | 97,100 |

Note 1: The number of shares/units are in thousands.

Note 2: The amount at the end of the period includes the relevant adjustment items of financial assets.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer | Property | Event Date | Transaction Amount | Payment Status | Counterparty | Relationship | Information on Previous Title Transfer If Counterparty Is A Related Party | | | | Pricing Reference | Purpose of Acquisition | Other Terms |
|---------------------------|--------------------|------------|--------------------|----------------|-------------------------------------|--------------|---|--------------|------------------|--------|---|------------------------|-------------|
| | | | | | | | Property Owner | Relationship | Transaction Date | Amount | | | |
| Sensortek Technolgy Corp. | Land and Buildings | 2020.12.16 | \$ 448,000 | \$ 134,400 | Winsome Development Company Limited | - | - | - | - | \$ - | Real estate appraisal report and board resolution | Working capital | - |
| | Land and Buildings | 2020.12.25 | 445,000 | 5,308 | Winsome Development Company Limited | - | - | - | - | - | Real estate appraisal report and board resolution | Working capital | - |
| | Land and Buildings | 2020.12.25 | 23,000 | - | Tai Yuen Textile Co., Ltd. | - | - | - | - | - | Real estate appraisal report and board resolution | Working capital | - |

Note: The payment was listed under property under construction.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020

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

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|-------------|----------------------------|--------------|---------------------|------------|------------|--|----------------------|---------------|-------------------------------------|------------|------|
| | | | Purchase/Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % of Total | |
| The Company | Sensortek Technology Corp. | Subsidiary | Purchase | \$ 628,201 | 16 | After acceptance net 60 days from monthly closing date | \$ - | - | \$ 157,072 | 15 | - |

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
 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 (Foreign Currencies in Thousands) | | Balance as of December 31, 2020 | | | Net Income (Loss) of the Investee | Share of (Loss) Profit |
|-------------------------------------|---------------------------------------|-----------------------|--|--|----------------------|---------------------------------------|-------------------|--------------------|---|---------------------------|
| | | | | December 31, 2020 | December 31, 2019 | Number of Shares (In Thousands) | % of Ownership | Carrying Amount | | |
| The Company | Sitronix Investment Corp. | Taiwan | Investment | \$ 367,270 | \$ 367,270 | 33,249 | 100.00 | \$ 266,799 | \$ (7,362) | \$ (7,362) |
| | Forcelead Technology Corp. | Taiwan | R&D and sales of small-size LCD driver IC and touch-integrated driver IC | 789,634 | 561,059 | 39,337 | 100.00 | 600,941 | 123,269 | 104,723 |
| | Sensortek Technology Corp. | Taiwan | R&D, design and sales of sensor integrated circuit products | 113,318 | 97,581 | 22,530 | 46.06 | 2,009,211 | 1,365,454 | 653,335 |
| | mCore Technology Corp. | Taiwan | Providing solutions for consumer display and voice/audio related applications. | 131,074 | 131,074 | 9,583 | 90.73 | 119,246 | 24,138 | 21,901 |
| | Sync-Tech System Corp. | Taiwan | Design, Manufacturing and Maintenance of Probe card | 99,127 | 99,127 | 9,844 | 48.75 | 142,340 | 103,904 | 51,705 |
| | Infinno Technology Corp. | Taiwan | Comprehensive line of Power supervisor IC design | 164,505 | 164,505 | 13,290 | 63.99 | 30,938 | (15,372) | (9,837) |
| | ezGreen Inc. | Taiwan | Software design and electronic information supply services | 60,000 | 30,000 | 6,000 | 100.00 | 24,294 | (22,176) | (22,176) |
| Sitronix Technology (Belize) Corp. | Sitronix Technology (Belize) Corp. | Belize city, Belize | International trade | - | 56,960 | 2,000 | 100.00 | - | 973 | 973 |
| | | | | (USD 2,000) | (USD 2,000) | | | | | |
| Sitronix Holding International Ltd. | Sitronix Holding International Ltd. | Samoa | Investment | 56,960 | 56,960 | 2,000 | 100.00 | 79,262 | 1,893 | 1,893 |
| | | | | (USD 2,000) | (USD 2,000) | | | | | |
| Sitronix Investment Corp. | Sensortek Technology Corp. | Taiwan | R&D, design and sales of sensor integrated circuit products | 10 | 10 | 2 | - | 213 | 1,365,454 | 67 |
| | Infinno Technology Corp. | Taiwan | Comprehensive line of Power supervisor IC design | 10 | 10 | - | - | 1 | (15,372) | - |
| | Forcelead Technology Corp. | Taiwan | R&D and sales of small-size LCD driver IC and touch-integrated driver IC | - | 10 | - | - | - | 123,269 | 5 |
| Sitronix Technology (Belize) Corp. | Sitronix Technology (Mauritius) Corp. | Republic of Mauritius | International trade | - | USD 2,000 | 2,000 | 100.00 | - | 1,029 | 1,029 |

Note 1: Foreign currencies is converted into NTD using the exchange rates of the US dollar to NTD on December 31, 2020.

Note 2: Sitronix Technology (Belize) Corp. has applied for liquidation and dissolution during 2020, and its share capital and surplus have been repatriated.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company | Main Businesses and Products | Paid-in Capital (Foreign Currencies in Thousands) | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020 (Foreign Currencies\$ in Thousands) | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (Foreign Currencies in Thousands) | Net Income (Loss) of the Investee | % Ownership for Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2020 | Accumulated Repatriation of Investment Income as of December 31, 2020 |
|--|--|---|----------------------|---|--|--------|---|-----------------------------------|---|---------------------------------|---|---|
| | | | | | Outward (Foreign Currencies in Thousands) | Inward | | | | | | |
| Sitronix Technology (Shenzhen) Co., Ltd. | Computer software and hardware development, sales and after-sales service business and related technical consulting services | \$ 11,392 (USD 400) | Note 1 | \$ 11,392 (USD 400) | \$ - | \$ - | \$ 11,392 (USD 400) | \$ 1,526 | 100 | \$ 1,526 | \$ 19,308 | \$ 10,237 |
| HeFei ezGreen Co., Ltd. | Design, sales and technical services of Supplier management software development | 21,885 (CNY 5,000) | Note 4 | 8,754 (CNY 2,000) | 13,131 (CNY 3,000) | - | 21,885 (CNY 5,000) | (5,203) | 100 | (5,203) | 13,262 | - |
| HeFei Sitronix Co., Ltd. | R&D, design, sales and technical services of integrated circuits and system hardware and software | 109,425 (CNY 25,000) | Note 5 | 98,483 (CNY 22,500) | - | - | 98,483 (CNY 22,500) | 39,558 | 90 | 35,602 | 171,956 | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (Foreign Currencies in Thousands) | Investment Amount Authorized by the Investment Commission, MOEA (Foreign Currencies in Thousands) | Upper Limit on the Amounts of Investment Stipulated by Investment Commission, MOEA |
|---|---|--|
| \$ 128,530 (US\$ 4,513) | \$ 243,504 (US\$ 8,550) | \$3,984,683 |

Note 1: Direct Investment, as of December 31, 2020, the total investment amount approved by the Investment Commission, MOEA, is US\$400 thousand, and the investment amount of US\$400 thousand has been remitted.

Note 2: Foreign currencies are converted into NTD using the exchange rates of the US dollar and CNY to NTD on December 31, 2020.

Note 3: According to the Investment Commission, MOEA, 60% of the net value of investments in mainland China is set.

Note 4: Direct Investment, as of December 31, 2020, the total investment amount approved by the Investment Commission, MOEA, is CNY 10,000 thousand, and the investment amount of CNY5,000 thousand has been remitted.

Note 5: Direct Investment, as of December 31, 2020, the total investment amount approved by the Investment Commission, MOEA, is CNY 45,000 thousand, and the investment amount of CNY22,500 thousand has been remitted.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

FOR THE YEAR ENDED DECEMBER 31, 2020

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

| Investor Company | Investee Company | Transaction Type | Total operating expenses | | Price | Transaction Details | | Notes/Accounts Receivable (Payable) | | Unrealized (Gain) Loss | Note |
|------------------|--|---------------------------|--------------------------|---|----------------------------------|----------------------------------|---|-------------------------------------|---|------------------------|------|
| | | | Amount | % | | Payment Terms | Comparison with Normal Transactions | Ending Balance | % | | |
| The Company | Sitronix Technology (Shenzhen) Co., Ltd. | Professional service fees | \$ 112,124 | 7 | Calculated based on the contract | Calculated based on the contract | No related similar transactions to follow | \$ - | - | \$ - | - |

Sitronix Technology Corp.

Chairman Vincent Mao



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