Stock Code: 3529

eMemory Technology Inc.

2020 Annual Report

Annual report is available at Market Observation Post System:
https://mops.twse.com.tw/mops/web/index

Published on April 12, 2021

Notice to Readers

This document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.

1. Spokesperson
   Name：Michael Ho
   Title：Senior Vice President
   Tel：886-3-560-1168
   E-mail：ir@ememory.com.tw

   Acting Spokesperson
   Name：Anita Chang
   Title：Vice President
   Tel：886-3-560-1168
   E-mail：ir@ememory.com.tw

2. eMemory Address and Tel Number
   Address：Room 305, No. 47, Yuanqu 2nd Road, Hsinchu Science Park, Hsinchu City, Taiwan
   Jhubei Office Address：8F, No. 5, Tai-Yuan 1st Street, Jhubei City, Hsinchu County, Taiwan
   Tel：886-3-560-1168

3. Stock Transfer Agent
   Company：KGI Securities Co., Ltd.　Brokerage Registry and Transfer Services Department
   Address：5F, No.2, Sec.1, Chongqing S. Road, Taipei City, Taiwan
   Tel：886-2-2389-2999
   Website：https:// www.kgieworld.com.tw

4. Independent Auditor
   Accounting Firm：Deloitte & Touche
   Auditors：Yu-Feng Huang and Su-Li Fang
   Address：20F, No. 100, Songren Road, Taipei City, Taiwan
   Tel：886-2-2725-9988
   Website：https://www.deloitte.com.tw

5. Name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities：None

6. eMemory Website：https://www.ememory.com.tw

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I. Letter to Shareholders

Dear Shareholders,

In 2020, the COVID-19 pandemic has brought business opportunities as well as challenges to eMemory due to the rapid shift of product applications. In this changing global political and economic environment, as we firmly believe and anticipate, have entered a new growth cycle.

In the following we will report our operation results of 2020.
Operation results: The overall revenue is NT$ 1,776.65 million, license fee contribute NT$ 490.10 million which is accounts for 27.6% of revenue, whereas royalty contribute NT$ 1,286.55 million which is accounts for 72.4% of the revenue. As compared to 2019, the license fee up 13.9% and the royalty up 31.3%. The royalty from NeoFuse technology grows 119.8% because of increasing production from advanced node. In addition, the license fee of PUF-Based Security IP has grown by 148.2%, which will lead to more applications of security products.
Financial results: Our operating profit is NT$ 822.59 million and up 32.4% as compared to 2019, and net income attributable to owners of the company is NT$ 708 million and up 30.6% yearly, the earning per share is NT$ 9.52 which up 30.4% as compared to 2019.
The net cash flow increased by NT$ 490.25 million due to the growth in revenue.

eMemory has developed various new embedded non-volatile memory process platforms to meet the demands of different applications among them:
For technology development, OTP / PUF has been advanced to 5 nm, while 7 nm has completed risk production, and is being promoted to automotive-grade product application. MTP development continues in 90nm BCD process and 65nm RF process. Also, new MTP IP will be aggressively reduced by more than 20-30% for better competitiveness. New technology, ReRAM has completed silicon verification. The IP of Computing in Memory (CIM) application has completed the initial verification, proving that eMemory MTP works well in AI chip, and will soon enter silicon verification.
For mass production platform, the 28/22 nm NeoFuse which is built on high-speed computing and high-voltage processes, has been widely used ISP and DDI. Moreover, IPs in more BCD process platforms have allowed Power Management chip production to increase significantly from quarter to another. In addition, the new-generation NeoMTP has successfully met the highest silicon reliability requirement (AEC-Q100 Grade 0) in 0.13 um BCD automotive-grade process and has been adopted by customers.
In 2020, eMemory covers a wide range of customers from wafer foundries, IDMs and chip design houses. Our partners have accumulated more than 37 foundries and 1,800 chip design companies, with more than 5,100 new product tape outs worldwide. eMemory has exceeded a large IP chips production scale of approximately 5.5 million 8-inch equivalent wafers, and has accumulated more than 32 million production wafers.

Looking forward to 2021 and the future, our IPs will deploy widely in the applications of Display Driver IC, Power Management IC, Fingerprint, Digital TV, STB, and Surveillance applications. In the meantime, our IP solutions have also penetrated into the application segments of DRAM, Bluetooth, ISP, WiFi, Solid State Drive (SSD) controller, and will soon be used in CIS, Universal Flash Storage (UFS) controllers and AI chips. In addition, NeoPUF and PUFsecurity IP have been introduced into emerging applications such as Industrial Computers, IoT and Cloud Data Processing chips. A new generation of NeoMTP has also brought in business opportunities such as Wireless Charging, Type-C and MCU. Besides, the development of MRAM/ReRAM are slowly maturing in various technologies, and will be reflected in eMemory's growth.

eMemory is ranked as the top 10 IP companies in the world, receives TSMC's IP Partner Award for 11 consecutive years, and is the No.1 player in the logic NVM technology. Regarding corporate governance, eMemory was awarded the "Top 20% Companies" in the Corporate Governance Evaluation by the Securities and Futures Market Development Foundation for 6 consecutive years. The competence is attributed to the spirit of innovation and teamwork, excellent service quality, and strengthening of corporate governance. We are very confident that our technologies and IP's will continue to add values to our customers, and our disruptive technology, NeoPUF, will lead us to expand our business greatly in the emerging markets, such as IoT, AI, Autonomous driving and Blockchain.

At last not the least, we thank you all for the long term support to eMemory. We will continue to move forward to make eMemory become world -leading technology and IP company.

Chairman:	President:	Accounting Officer:
Charles Hsu	Rick Shen	Teresa Kuo

II. Company Profile

2.1 Date of Incorporation: Sep. 2, 2000

2.2 Corporate Milestones

Year	Milestones
Aug. 2000	eMemory founded as eMemory Technology Inc.
Mar. 2001	eMemory receives approval to move into Hsinchu Science Park
Jul. 2002	eMemory moves into Hsinchu Science Park
Oct. 2004	eMemory provides 0.18um NeoBit OTP/MTP solutions for LCD driver IC
Jan. 2005	eMemory announces NeoBit applications for speech IC
Jun. 2005	Production of NeoBit reaches 10,000 wafers
Oct. 2005	NeoBit NVM wins the National Invention and Creation Gold Medal Award
Apr. 2006	Advance NeoFlash embedded non-volatile memory technology is qualified
Jul. 2006	eMemory provides high voltage NeoBit processes and improves wafer yield and performance
Oct. 2006	NeoBit production reaches 100,000 wafers
Dec. 2006	eMemory wins Industrial Innovation Award
Mar. 2007	eMemory listed in Taiwan Emerging Market: ticker number #3529
May 2008	eMemory licenses technology to Fujitsu Microelectronics Limited
Oct. 2008	eMemory wins Industrial Technology Advancement Award and National Invention and Creation Award
May 2009	eMemory announces NeoROM, a low-cost OTP mass production solution
Jul. 2009	eMemory’s NeoBit OTP production reaches 1 million wafers; IP solutions for 65 nm processes launched
Sep. 2009	eMemory breaks new ground launching industrial-grade embedded NVM for power management solution
Mar. 2010	eMemory announces NeoEE prototype in 0.18um process technology
Jul. 2010	eMemory announces industry’s first Green High Density OTP solution
Jul. 2010	eMemory becomes the first automotive-grade OTP provider to automotive IC makers
Oct. 2010	eMemory wins TSMC’s 2010 IP Partner Award
Nov. 2010	eMemory is honored as one of Asia’s 200 Best Under A Billion by Forbes
Nov. 2010	eMemory holds the first Embedded Tech Forum
Dec. 2010	eMemory NeoFlash offers an unrivalled, highly reliable embedded flash solution for automotive electronic applications
Jan. 2011	eMemory lists on Taipei Exchange (GreTai Securities Market) on 24 January 2011
Oct. 2011	eMemory honored again as one of Asia's 200 Best Under A Billion by Forbes

Year	Milestones
Oct. 2011	eMemory wins TSMC’s 2011 IP Partner Award
Sep. 2012	eMemory introduces new NeoMTP technology
Oct. 2012	eMemory receives TSMC’s IP Partner Award for the third straight year
Jan. 2013	eMemory's NeoEE silicon IP qualified for 2.4GHz RF product application
Jan. 2013	Taiwan Corporate Governance Association accredited eMemory with the Certificate of Corporate Governance System Evaluation – Version CG6007
Mar. 2013	Production of eMemory's eNVM silicon IPs reaches 5 million wafers
May 2013	eMemory develops NeoFuse—an innovative anti-fuse eNVM technology
Aug. 2013	eMemory ranks as 「The Top 50 TWSE/GTSM Listed Companies with Most Valuable US Patents」 according to the cooperatives evaluation result by Institute for Information Industry and Ocean Tomo
Aug. 2013	eMemory's NeoEE technology advances into BCD process platform, augmenting P-Gamma silicon IP product range and accelerating integration with power management ICs
Sep. 2013	eMemory's NeoMTP technology advances in extensive Touch Panel MCU and TDDI applications
Sep. 2013	eMemory receives SMIC’s IP Partner Award
Oct. 2013	eMemory receives TSMC’s IP Partner Award for the fourth year in a row
Mar. 2014	eMemory's silicon IP NeoFuse received CA certification for advanced security applications
Apr. 2014	eMemory publishes first book by eNVM IP providers: LOGIC NON-VOLATILE MEMORY－NVM Solutions from eMemory
Jun. 2014	eMemory ranked A+ in R.O.C. Securities & Futures Institute’s 11th Information Disclosure and Transparency Evaluation of Public Companies Ranking
Sep. 2014	eMemory receives again SMIC’s IP Partner Award
Sep. 2014	eMemory receives TSMC’s IP Partner Award for five consecutive years
Sep. 2014	eMemory NeoFuse silicon IP passes qualification in TSMC 28nm HKMG 2.5V process
Oct. 2014	eMemory NeoEE silicon IP advances into automotive electronics applications
Nov. 2014	eMemory offers IP industry-leading hybrid MTP silicon IP
Feb. 2015	Fingerprint application opens up market demands for eMemory’s logic NVM IP solutions
Apr. 2015	eMemory ranked A++ in R.O.C. Securities & Futures Institute’s 12th Information Disclosure and Transparency Evaluation of Public Companies Ranking
Apr. 2015	eMemory was ranked TOP 20% in the 2014 Corporate Governance Evaluation of Public Companies conducted by R.O.C Securities & Futures Institute

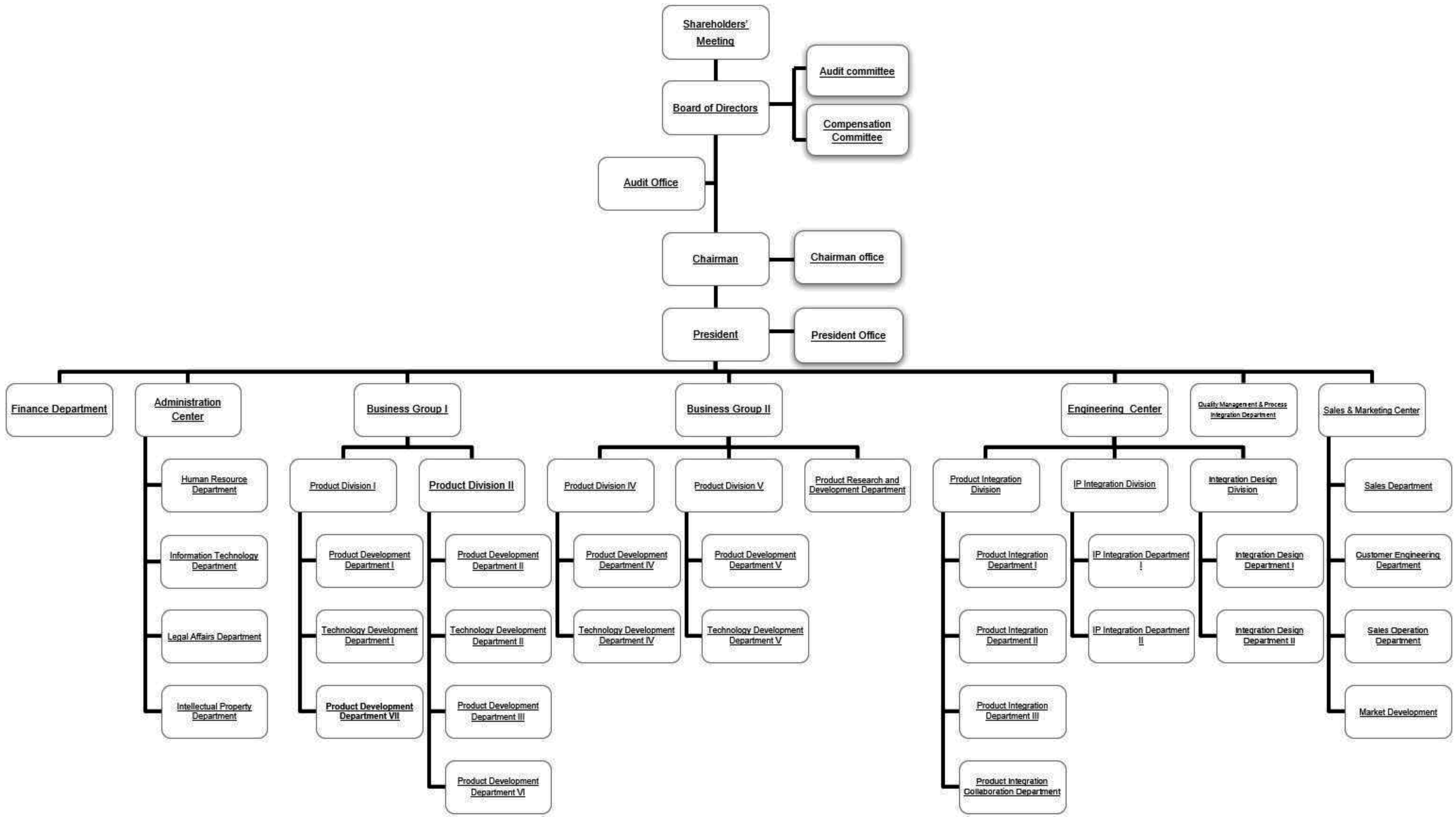
Year	Milestones
May 2015	eMemory NeoFuse technology is verified in 16nm FinFET process
Aug. 2015	eMemory integrates OTP and MTP to offer industry-leading Combo and Hybrid silicon IPs
Sep. 2015	eMemory receives again SMIC's IP Partner Award
Sep. 2015	eMemory receives TSMC's IP Partner Award for six consecutive years
Mar. 2016	eMemory Announces Innovative Solution for Cryptographic Security
Apr. 2016	eMemory was ranked TOP 20% in the 2015 Corporate Governance Evaluation of Public Companies conducted by R.O.C Securities & Futures Institute
Jul. 2016	eMemory's NeoEE Solution Facilitates Module Integration for Fingerprint Applications
Aug. 2016	eMemory Unveils EcoBit Technology for RFID and NFC Applications
Sep. 2016	eMemory once again receives TSMC's IP Partner Award-the only eNVM Silicon Intellectual Property (Silicon IP) supplier in the world to receive the honor for seven consecutive years
Oct. 2016	eMemory Receives SMIC Best IP Partner Award for 4th Year in a Row
Feb. 2017	eMemory Qualified NeoFuse in TSMC 16FFC Process
Mar. 2017	eMemory's NeoFuse Implemented in HV Process for OLED Application
Apr. 2017	Over 100,000 Wafers Embedded with eMemory's NeoEE IP Shipped
Apr. 2017	eMemory was ranked TOP 20% in the 2016 Corporate Governance Evaluation of Public Companies conducted by R.O.C Securities & Futures Institute
Jul. 2017	eMemory Announces Validation of On-Chip Security IP on UMC Advanced Nodes
Sep. 2017	eMemory receives TSMC's IP Partner Award for eight consecutive years
Dec. 2017	eMemory receives Hsinchu Science Park Bureau Research and Development Achievement Award
Dec. 2017	eMemory receives Hsinchu Science Park Bureau Innovative Product Award
Apr. 2018	Over 20 Million Wafers Embedded with eMemory's IP Shipped
Apr. 2018	eMemory was ranked TOP 20% in the 2017 Corporate Governance Evaluation of Public Companies conducted by R.O.C. Securities & Futures Institute
Oct. 2018	NeoFuse is qualified on Fully-Depleted Silicon On-Insulator (FD-SOI) process technology
Oct. 2018	eMemory receives TSMC's IP Partner Award for 9 consecutive years
Feb. 2019	eMemory Receives ISSCC Award for Breakthrough Security Technology
Mar. 2019	eMemory receives National Industrial Innovation Award
Apr. 2019	eMemory was ranked TOP 5% in the 2018 Corporate Governance Evaluation of Public Companies conducted by R.O.C. Securities & Futures Institute
May 2019	Wholly owned subsidiary PUFsecurity Corporation founded

Year	Milestones
Jun. 2019	eMemory's NeoFuse Qualified on Winbond 25nm DRAM Process
Sep. 2019	eMemory receives TSMC's IP Partner Award for 10 consecutive years
Sep. 2019	eMemory IP Garners Most Stringent Level of Certification for Automotive Applications
Dec. 2019	eMemory Joins Arm Ecosystem for Secure IoT Chips
Jan. 2020	NeoFuse Successfully Applied to UMC's 28nm HV Process Targeting the Fast-growing OLED Market
Mar. 2020	NeoMTP Successfully Applied to TSMC's Third-Generation 0.18μm BCD Process
Apr. 2020	eMemory was ranked TOP 20% in the 2019 Corporate Governance Evaluation of Public Companies conducted by R.O.C. Securities & Futures Institute
May 2020	eMemory Provides Intellectual Property for Secure NB-IoT Products
Jul. 2020	Wholly owned subsidiary PUFsecurity USA Corporation founded
Aug. 2020	Launched PUF-based Solutions (PUFrt and PUFiot) with NeoPUF as Core Technology
Aug. 2020	NeoFuse Completes the Silicon Verification on TSMC's 5nm and 6nm Processes
Aug. 2020	NeoFuse Completes the Qualification for Automotive Grade IPs on Samsung's 28nm FD-SOI Process
Oct. 2020	Security technology NeoPUF wins the National Invention and Creation Gold Medal Award
Oct. 2020	eMemory receives TSMC's IP Partner Award for 11 consecutive years
Nov. 2020	eMemory NeoFuse IP Qualified on GLOBALFOUNDRIES Advanced High Voltage Platform for OLED Applications
Dec. 2020	eMemory & PUFsecurity Announce with UMC the World's First PUF-based Secure Embedded Flash Solution

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Department		Functions
Chairman Office		Set up the target for the Company, management strategy and planning of the Company, strategy and planning for the long term development of the Company, strategy and planning for technology development, investors relations etc.
President Office		1. Product strategy and managing the business of the Company. 2. Provide managers for analysis strategy and execution of business operation and product planning, according to the Company's need for business operation.
Audit Office		Establish and revise the internal control system, plan and execute the audit of internal control and follow up the improvement.
Quality Management & Process Integration Department		According to the requirements of International standard to establish the quality management system and ensure the system is effectively operated. From the viewpoint of process integration to setup the project and management system.
Finance Department		Funds management, bank transactions, accounting processing, production and analysis of financial statements, financial forecasting and control, stock-related matters.
Administration Center	Human Resource Department	Human resources management and organizational development.
	Information Technology Department	Information system framework, information system operation and development, information security management.
	Legal Affairs Department	Legal affairs and contract management/contract drafting, review and negotiation /other general legal matters.
	Intellectual Property Department	1. Responsible for intellectual property rights related matters. 2. Quality and process Control of eMemory's patents / patent risk reminding / patent strategy formulation / other intellectual property rights related matters.
Business Group I	Product Division I	Managing the silicon IP development project of NeoBit embedded floating gate technology for One-Time Programmable (OTP) non-volatile memory.
	Product Division II	Managing the silicon IP development project of NeoFuse embedded Antifuse technology for One-Time Programmable (OTP) non-volatile memory and NeoPUF technology etc.
Business Group II	Product Division IV	Managing the silicon IP development project of Multiple-Time Programmable (MTP) non-volatile memory (NeoEE, EcoBit, ReRAM… etc.).
	Product Division V	Managing the silicon IP development project of Multiple-Time Programmable (MTP) non-volatile memory (NeoMTP, MagnaChip EEPROM, Neoflash … etc.).
	Product Research and Development Department	Support the front-end design and debugging of Embedded Memory digital circuits, improve the APR (Automatic Place and Route) physical design performance of the back-end digital design, provide APR physical design education and training, and develop innovative circuit architectures to enhance the performance and competition of various product lines force.

Department		Functions
Engineering Center	Product Integration Division	Test & verification for product development, backend engineering outsourcing for IP product.
	IP Integration Division	Layout engineering of product development.
	Integration Design Division	CAD environment maintenance for product development, development of design automation and IP database system.
Sales & Marketing Center	Sales Department	Sell products and develop / maintain relationships with customers.
	Customer Engineering Department	1. Provide technical support including the delivery of specification and IP usage relevant information and the assistance in customer production. 2. Cooperate with sales team to promote eMemory's solutions.
	Sales Operation Department	Execute and manage sales flow, analysis sales and revenue, improve system working flow and manage key items.
	Market Development Department	1. Have product marketing and promotion for major application and deal license agreement for strategic technology and platforms. 2. Organize the trade shows / events and provide the promotion relevant materials. 3. Make the marketing strategies and propose business models, analyze the market and applications of embedded NVM IP, advise on the deployment of technology platform for new product applications, plan and manage product strategy projects.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors

04/12/2021；Unit: Year；Thousand shares；%

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Charles Hsu	Male	06/14/2018	3	08/08/2000	1,629	2.15	1,629	2.14	1	0	0	0	1.Ph.D. in Electrical Engineering, University of Illinois, Urbana-Champaign, U.S.A. 2.Chairman, Institute of Electronics Engineering, National Tsing Hua University 3. Researcher, IBM T.J. Watson Research Center, NY, U.S.A.	1. Chairman, iMQ Technology Inc. 2. Chairman, PUFsecurity USA Corporation 3. Chairman & President, PUFsecurity Corporation 4. Director, SecuX Technology Inc. 5. Independent Director, Remuneration Committee Member & Audit Committee Member, Acer Inc. 6 .Independent Director, Remuneration Committee Member & Audit Committee Member, Materials Analysis Technology Inc. 7. Director, National Applied Research Laboratories	Representa-tive of How-Han Investment Corporation	Teresa Cheng	Spouse	None

04/12/2021；Unit: Year；Thousand shares；%

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Mu-Chuan Hsu	Male	06/14/2018	3	05/07/2003	1,273	1.68	1,273	1.67	418	0.55	0	0	1. Bachelor Degree in Medicine, China Medical University 2. Attending Physician, Department of Obstetrics & Gynecology, National Taiwan University Hospital 3. Superintendent, North Town Women & Children Hospital	1. Director, iMQ Technology Inc. 2.Attending Physician, Fu Jen Catholic University Hospital 3.Director, HsinChu Kuang-Fu High School	None	None	None	None
Director	R.O.C.	How-Han Investment Corporation	N/A	06/14/2018	3	06/19/2012	1,132	1.49	1,132	1.49	0	0	0	0	N/A	1. Director, iMQ Technology Inc. 2. Director, SecuX Technology Inc.	None	None	None	None

04/12/2021；Unit: Year；Thousand shares；%

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Representa-tive of Director	R.O.C.	How-Han Investment Corporation Representa-tive：Teresa Cheng	Female	06/14/2018	3	06/19/2012	1	0	1	0	1,629	2.14	0	0	1. Master of Science, Computer Science and Applied Mathematics, University of Illinois at Urbana-Champaign, U.S.A. 2. Bachelor Degree in Economics, National Taiwan University 3. Chief Information Officer, Macronix International Co., Ltd. 4. Department Manager, Software Development, BDC Corporation 5. Associate Researcher, Manufacturing Information System, North American Philips Labs., NY, U.S.A. 6. Software Engineer, IBM T.J. Watson Research Center, NY, U.S.A.	1.Chairman, How-Han Investment Corporation 2. Director, iMQ Technology Inc. 3. Supervisor, Uniband Electronic Corporation 4. Vice President, HeFeChip Corporation Limited, Shanghai 5. Independent Director, Remuneration Committee Member & Audit Committee Member, Acer Synergy Tech Corp.	Chair-man	Charles Hsu	Spouse	None

04/12/2021；Unit: Year；Thousand shares；%

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Representa-tive of Director	R.O.C.	How-Han Investment Corporation Representa-tive：Jason Hsu	Male	06/14/2018	3	06/14/2018	0	0	0	0	0	0	0	0	1. Master of Computer Science, Stevens Institute of Technology, U.S.A. 2. Chairman / General Manager, IBM Taiwan 3. CEO, GE Taiwan	1. Independent Director, Remuneration Committee Member & Audit Committee Member, inergy Technology Inc. 2. Professor, EMBA / MBA, National Tsing Hua University 3. Professor, National Taiwan University	None	None	None	None
Director	R.O.C.	Li-Jeng Chen	Female	06/14/2018	3	06/09/2015	2,145	2.83	2,345	3.08	0	0	0	0	1. Master of Air Transportation Management, University of Hawaii, Travel Industry Management School, U.S.A. 2. Chief Investment Officer, Cathay Securities Investment Trust 3. Portfolio Manager, Invesco Global Technology Fund	Investor Relations, eMemory Technology Inc.	None	None	None	None

04/12/2021；Unit: Year；Thousand shares；%

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Rick Shen	Male	06/14/2018	3	06/19/2012	166	0.22	147	0.19	0	0	0	0	1. Ph.D. in Electrical Engineering, National Tsing Hua University 2. R&D Principal Engineer, Taiwan Semiconductor Manufacturing Company Limited	1. President, eMemory Technology Inc. 2. Vice Chairman, PUFsecurity Corporation 3. Independent Director, Remuneration Committee Member & Audit Committee Member, inergy Technology Inc. 4. Executive Supervisor, Taiwan IoT Technology and Industry Association	None	None	None	None
Independent Director	R.O.C.	Kenneth Kin	Male	06/14/2018	3	05/26/2009	0	0	0	0	0	0	0	0	1. Ph.D. Nuclear Engineering and Applied Physics, Columbia University, U.S.A. 2. Bachelor Degree in Nuclear Engineering, National Tsing Hua University 3. Senior Vice President, Worldwide Sales & Services, Taiwan Semiconductor Manufacturing Company Limited 4. Vice President, Worldwide Sales & Services, IBM Microelectronics Division 5. Vice President, Asia Pacific Operations, Motorola Computer Gro	1. Director, MediaTek Inc. 2. Independent Director, Remuneration Committee Member & Audit Committee Member, Vanguard International Semiconductor Corporation 3. Independent Director, Remuneration Committee Member & Audit Committee Member, Global Unichip Corp. 4. Director, Medtech Investment Co. Ltd. 5. Professor, College of Technology Management, National Tsing Hua University	None	None	None	None

04/12/2021；Unit: Year；Thousand shares；%

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C.	Ming-To Yu	Male	06/14/2018	3	06/09/2015	0	0	0	0	0	0	0	0	1. Master of Business Administration, The Wharton School, University of Pennsylvania, U.S.A. 2. Master of Public Administration, National Chengchi University 3. Chief Financial Officer, Xiaomi Corporation, Beijing 4. Chief Financial Officer and Spokesperson, MediaTek Inc. 5. Financial Manager, Taiwan Semiconductor Manufacturing Company Limited	1. Vice Chairman, Egis Technology Inc. 2. Independent Director, Remuneration Committee Member & Audit Committee Member, Acer Cyber Security Inc. 3. Independent Director, Remuneration Committee Member & Audit Committee Member, Tongtai Machine & Tool Co., Ltd. 4. Director, ULSee Co, Ltd. 5. Director, GIXIA GROUP CO. 6. Chairman, Yishing Technology Ltd. 7. Chairman, Vitrio Technology Corporation	None	None	None	None
Independent Director	R.O.C.	T.C. Chen	Male	06/14/2018	3	06/14/2016	0	0	0	0	0	0	0	0	1. Ph.D. in Engineering and Applied Science, Yale University, U.S.A. 2. Bachelor Degree in Physics, National Cheng Kung University 3. Fellow Member, Institute of Electrical and Electronics Engineers (IEEE)	1. Fellow, IBM 2. Vice President Science & Technology, IBM 3. Independent Director & Audit Committee Member, AP Memory Technology Corp.	None	None	None	None

Note:Where the chairman and the president 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.

Major shareholders of the institutional shareholders

04/12/2021

Name of Institutional Shareholders	Major Shareholders	
How-Han Investment Corporation	Teresa Cheng	25.00%
	Charles Hsu	15.00%
	Felix Hsu	20.00%
	Alexander Hsu	20.00%
	Rosalind Hsu	20.00%

Major shareholders of the Company's major institutional shareholders：None.

Professional qualifications and independence analysis of Directors：

04/12/2021

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Charles Hsu	✓	-	✓	-	-	-	-	✓	✓	-	-	✓	-	✓	✓	2
Mu-Chuan Hsu	-	-	✓	✓	-	-	✓	✓	✓	-	-	✓	✓	✓	✓	0
Teresa Cheng	-	-	✓	✓	-	-	-	✓	✓	-	-	✓	-	✓	-	1
Jason Hsu	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	1
Li-Jeng Chen	-	-	✓	-	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Rick Shen	-	-	✓	-	-	✓	-	✓	✓	-	✓	✓	✓	✓	✓	1
Kenneth Kin	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Ming-To Yu	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
T.C. Chen	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.

2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or 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 any of the persons in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3.
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, ranks as of its top 5 shareholders, or has representative director(s) serving on the Company's board based on Paragraph 1 or 2 Article 27 of the Company Act. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the Company. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
7. Not a director, supervisor, or employee of a company of which the Chairman or President (or equivalent) themselves or their spouse also serve as the Company's Chairman or President (or equivalent). Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
8. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary holds 20% or more and no more than 50% of the total number of issued shares of the Company and as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
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 Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Act.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

3.2.2 Management Team

04/12/2021；Unit: Thousand shares；%

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C.	Rick Shen	Male	10/12/2009	147	0.19	0	0	0	0	1. Ph.D. in Electrical Engineering, National Tsing Hua University 2. R&D Principal Engineer, Taiwan Semiconductor Manufacturing Company Limited	1. Vice Chairman, PUFsecurity Corporation 2. Independent Director, Remuneration Committee Member & Audit Committee Member, inergy Technology Inc. 3. Executive Supervisor, Taiwan IoT Technology and Industry Association	None	None	None	None
Senior Vice President	R.O.C.	Chris Lu	Male	01/01/2014	10	0.01	138	0.18	0	0	1. Master Degree in Photonics and Optoelectronics, National Taiwan University 2. R&D Engineer, Philips Electronics Ltd. 3. Principal Engineer, Taiwan Semiconductor Manufacturing Company Limited.	None	None	None	None	None

04/12/2021；Unit: Thousand shares；%

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Senior Vice President and Chief of Technology Officer	R.O.C.	Ching-Yuan Lin	Male	02/21/2008	148	0.20	34	0.04	0	0	1. Master Degree in Physics, National Central University 2. EMBA, National Tsing Hua University 3. Technical Manager, Technology, Taiwan Semiconductor Manufacturing Company Limited 4. Technical Manager, Technology, Vanguard International Semiconductor Corporation	None	None	None	None	None
Senior Vice President	R.O.C.	Michael Ho	Male	01/01/2014	35	0.05	70	0.09	0	0	1. Master Degree in Electrical and Electronics Engineering, National Tsing Hua University 2. Principal Engineer, Taiwan Semiconductor Manufacturing Company Limited	None	None	None	None	None
Vice President	R.O.C.	Anita Chang	Female	02/21/2008	22	0.03	0	0	0	0	1. Master Degree in Economics, National Taiwan University 2. Section Manager, Tze Chiang Foundation of Science and Technology	None	None	None	None	None

04/12/2021；Unit: Thousand shares；%

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice President	R.O.C.	John Ho	Male	01/01/2014	65	0.09	0	0	0	0	1. Master Degree in Electronics Engineering, National Chiao Tung University 2. Engineer, Vanguard International Semiconductor Corporation 3. Engineer, Comax Tech. Inc.	None	None	None	None	None
Vice President	R.O.C.	Evans Yang	Male	01/01/2014	41	0.05	0	0	0	0	1. Ph.D. in Electrical Engineering, National Tsing Hua University 2. Technical Manager, Product Engineering Center, Powerchip Technology Corporation 3. Director of President's Office, PowerFlash Technology Corp.	Executive Vice President, PUFsecurity Corporation	None	None	None	None
Accounting and Financial Officer	R.O.C.	Teresa Kuo	Female	08/02/2011	12	0.02	0	0	0	0	1. Bachelor Degree in Accounting, Tamkang University 2. Internal Auditing Officer, United Epitaxy Company, Ltd.	None	None	None	None	None

Note: Where the president or person of an equivalent post (the highest level manager) and the chairman 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.

3.2.3 Remuneration of Directors, Supervisors, President, and Vice Presidents

A. Remuneration of Directors

12/31/2020；Unit: NT$ thousands；Thousand shares；%

Title / Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Remuneration Paid to Directors from Non-consolidated Affiliates or Parent Company
	Base Compensation (A) (Note 1)		Severance Pay (B) (Note 2)		Directors Compensation(C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 6)						
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
															Cash	Stock	Cash	Stock			
Chairman Charles Hsu	16,029	16,046	0	0	3,736	3,736	35	35	2.80%	2.80%	0	0	0	0	0	0	0	0	2.80%	2.80%	0
Director Mu-Chuan Hsu Director How-Han Investment Corporation Representative：Teresa Cheng Director How-Han Investment Corporation Representative：Jason Hsu Director Li-Jeng Chen Director Rick Shen	0	0	0	0	11,209	11,209	160	160	1.60%	1.60%	11,857	11,866	141	141	5,960	0	5,960	0	4.14%	4.14%	0
Independent Director Kenneth Kin Independent Director Ming-To Yu Independent Director T.C. Chen	6,165	6,165	0	0	0	0	255	255	0.91%	0.91%	0	0	0	0	0	0	0	0	0.91%	0.91%	0

1. Please state the policy, system, standard and structure of remuneration payment for independent directors, and state the correlation between remuneration payment and responsibilities, risks, investment time and other factors:

The annual compensation distributed to Directors shall not be applied to Independent Directors, the monthly "fixed remuneration" will be paid according to their jobs and responsibilities, and the "annual reward" will be paid in accordance with the business operation performance of the Company, and shall be examined annually by the Remuneration Committee and Board of Directors. The rationality of relevant remuneration of Independent Directors will be reviewed from time to time according to the practical operation situation and related laws and regulations, to reach the balance between the sustainable operation and risk control of the Company.

2.In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors.：None.

Note 1：Base compensation for directors in 2020 (including director's salary, duty allowance, severance pay, bonus and reward, etc.)

Note 2：Allowance or funding of pension obligation.

Note 3：Directors compensation of 2020 is resolved by the Board of Directors on February 24, 2021.

Note 4：The directors' professional practicing fees in the most recent year (including transportation allowance, special allowance, various allowances, and provisions of such tangible objects as dormitory and car, etc...).If a house, car and any other transportation means or exclusive personal allowance is provided, please disclose the nature and cost of the assets, rent imputed based on the actual value or fair value, fuel expenses and other benefits. If a driver is assigned, please specify the pay made by The Company to the driver, but exclude the same from the remuneration.

Note 5：It means the salary, duty allowance, severance pay, bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car received by the directors who acted as employees concurrently (including President, Vice President, managerial officer and employee) in the most recent year. If a house, car and any other transportation means or exclusive personal allowance is provided, please disclose the nature and cost of the assets, rent imputed based on the actual value or fair value, fuel expenses and other benefits. If a driver is assigned, please specify the pay made by The Company to the driver, but exclude the same from the remuneration. The salary expenses recognized in accordance with IFRS 2 "Share-based payment", including obtaining employee stock options, new restricted employee shares and participating in cash increase subscription shares, shall also be included in the remuneration.

Note 6：The directors who acted as employees concurrently (including President, Vice President, managerial officer and employee) received employee compensation (including stock dividend and cash dividend) of 2020 is resolved by the Board of Directors on February 24, 2021. The employee compensation paid to directors who are also employees is a proposed number.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Under NT$ 1,000,000				
NT$1,000,000 ~ NT$1,999,999	Mu-Chuan Hsu, How-Han Investment Corporation Representative：Teresa Cheng, How-Han Investment Corporation Representative：Jason Hsu	Mu-Chuan Hsu, How-Han Investment Corporation Representative：Teresa Cheng, How-Han Investment Corporation Representative：Jason Hsu	Mu-Chuan Hsu, How-Han Investment Corporation Representative：Teresa Cheng, How-Han Investment Corporation Representative：Jason Hsu	Mu-Chuan Hsu, How-Han Investment Corporation Representative：Teresa Cheng, How-Han Investment Corporation Representative：Jason Hsu
NT$2,000,000 ~ NT$3,499,999	Li-Jeng Chen, Rick Shen, Kenneth Kin, Ming-To Yu, T.C. Chen	Li-Jeng Chen, Rick Shen, Kenneth Kin, Ming-To Yu, T.C. Chen	Kenneth Kin, Ming-To Yu, T.C. Chen	Kenneth Kin, Ming-To Yu, T.C. Chen
NT$3,500,000 ~ NT$4,999,999				
NT$5,000,000 ~ NT$9,999,999			Li-Jeng Chen	Li-Jeng Chen
NT$10,000,000 ~ NT$14,999,999				
NT$15,000,000 ~ NT$29,999,999	Charles Hsu	Charles Hsu	Charles Hsu, Rick Shen	Charles Hsu, Rick Shen
NT$30,000,000 ~ NT$49,999,999				
NT$50,000,000 ~ NT$99,999,999				
NT$100,000,000 or above				
Total	9	9	9	9

B. Remuneration of Supervisors：None.

C. Remuneration of the President and Vice Presidents

12/31/2020；Unit: NT$ thousands；Thousand shares；%

Title	Name	Salary(A)		Severance Pay (B) (Note 1)		Bonuses and Allowances (C) (Note 2)		Employee Compensation (D) (Note 3)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration Paid to the President and Vice Presidents from Non-consolidated Affiliates or Parent Company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Rick Shen	20,215	20,215	1,017	1,017	31,922	31,955	15,163	0	15,163	0	9.65%	9.65%	0
Senior Vice President	Chris Lu													
Senior Vice President and Chief of Technology Officer	Ching-Yuan Lin													
Senior Vice President	Michael Ho													
Vice President	Anita Chang													
Vice President	John Ho													
Vice President	Evans Yang													

Note 1：Allowance or funding of pension obligation.

Note 2：It means the bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car received by the President and Vice Presidents in the most recent year. If a house, car and any other transportation means or exclusive personal allowance is provided, please disclose the nature and cost of the assets, rent imputed based on the actual value or fair value, fuel expenses and other benefits. If a driver is assigned, please specify the pay made by The Company to the driver, but exclude the same from the remuneration. The salary expenses recognized in accordance with IFRS 2 "Share-based payment", including obtaining employee stock options, new restricted employee shares and participating in cash increase subscription shares, shall also be included in the remuneration.

Note 3：The President and Vice Presidents received employee compensation of 2020 is resolved by the Board of Directors on February 24, 2021. The employee compensation paid to President and Vice Presidents is a proposed number.

Range of Remuneration	Name of President and Vice Presidents	
	The Company	Companies in the consolidated financial statements
Under NT$ 1,000,000		
NT$1,000,000 ~ NT$1,999,999		
NT$2,000,000 ~ NT$3,499,999		
NT$3,500,000 ~ NT$4,999,999		
NT$5,000,000 ~ NT$9,999,999	Ching-Yuan Lin, Michael Ho, Anita Chang, John Ho, Evans Yang	Ching-Yuan Lin, Michael Ho, Anita Chang, John Ho, Evans Yang
NT$10,000,000 ~ NT$14,999,999	Chris Lu	Chris Lu
NT$15,000,000 ~ NT$29,999,999	Rick Shen	Rick Shen
NT$30,000,000 ~ NT$49,999,999		
NT$50,000,000 ~ NT$99,999,999		
NT$100,000,000 or above		
Total	7	7

D. Employee Compensation to Executive Officers

12/31/2020；Unit: NT$ thousands；%

	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Rick Shen	0	16,055	16,055	2.27%
	Senior Vice President	Chris Lu				
	Senior Vice President and Chief of Technology Officer	Ching-Yuan Lin				
	Senior Vice President	Michael Ho				
	Vice President	Anita Chang				
	Vice President	John Ho				
	Vice President	Evans Yang				
	Accounting and Financial Officer	Teresa Kuo				

Note：The executive officers received employee compensation of 2020 is resolved by the Board of Directors on February 24, 2021. The employee compensation paid to executive officers is a proposed number.

3.2.4 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.

Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income (%)	
2019	2020
15.63%	15.28%

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

(1) The Remuneration Committee had been established on October 20, 2011 under the approval of the Board of Directors. With respect to the remunerations of Directors, President, Vice President and managers, the Remuneration Committee shall periodically review the performances of Directors and managers as well as the policies, system, standards and structure of the remunerations according to the organization rules thereof, and shall periodically assess the remunerations of Directors and managers, then propose to the Board of Directors for approval after the suggestions are made.

(2) Pursuant to the provisions of Article 25 in the Articles of Incorporation, that no more 2% of the profit shall be distributed to Directors as compensation for the then current year. The remunerations of Directors are reasonable rewards given under the weight distribution principle by taking the operation achievements and the participation degree of each Director in the daily operation activities of the Company into consideration; the annual compensation distributed to Directors shall not be applied to Independent Directors, the monthly "fixed remuneration" will be paid according to their jobs and responsibilities, and the "annual reward" will be paid in accordance with the business operation performance of the Company.

(3) Pursuant to the provisions of Article 25 in the Articles of Incorporation, that if there is any pre-tax profit, 1% to 25% of the profit shall be distributed to eligible employees for profit sharing. The remunerations of President, Vice President and managers of the Company shall include salary, employees' compensation and employee stock option certificates. The salary level shall be determined according to the contribution degree that the managers provided to the Company and also by taking a reference to the level implemented by other companies in the same industry.

(4) The rationality of relevant remunerations of Directors and managers shall be examined by the Remuneration Committee and Board of Directors, and the remuneration system will be reviewed from time to time according to the practical operation situation and related laws and regulations, to reach the balance between the sustainable operation and risk control of the Company.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 7 (A) meetings of the Board of Directors were held in 2020. The attendance of director were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Chairman	Charles Hsu	7	0	100.00%	
Director	Mu-Chuan Hsu	5	2	71.43%	
Director	How-Han Investment Corporation Representative：Teresa Cheng	7	0	100.00%	
Director	How-Han Investment Corporation Representative：Jason Hsu	7	0	100.00%	
Director	Li-Jeng Chen	6	0	85.71%	
Director	Rick Shen	7	0	100.00%	
Independent Director	Kenneth Kin	7	0	100.00%	
Independent Director	Ming-To Yu	7	0	100.00%	
Independent Director	T.C. Chen	7	0	100.00%	

Other mentionable items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act：The Company had established the Audit Committee, that the provisions of Article 14-3 shall not apply. With respect to the descriptions for the matters listed in Article 14-5 of the Securities and Exchange Act, please take a reference to 3.3.2 Audit Committee in page 31~33 of this Annual Report.
   (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors：None.
2. Any recusal of Directors due to conflicts of interests during the period of 2020 and up to April 12, 2021 is set forth below:
   (1) The eleventh meeting of seventh Board of Directors (2020.02.19)
   Subject: The distribution of 2019 employees' compensation and team operation bonus to management team.
   Resolution: Chairmen Mr. Charles Hsu and Director Mr. Rick Shen (concurrently is the President) are the persons to be distributed in this proposal, Director Ms. Teresa

Cheng is the spouse of Chairman, that they shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Independent Director Mr. Kenneth Kin. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2020.02.19 without any objection.

(2) The thirteenth meeting of seventh Board of Directors (2020.04.29)

Subject: Proposal of removing the prohibition on Directors from participation in competitive business newly added.

Resolution: Chairmen Mr. Charles Hsu, Independent Director Mr. Ming-To Yu, Director Ms. Teresa Cheng are involved persons, Director Mr. Jason Hsu is representative of How-Han Investment Company who is a juristic person Director, shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Independent Director Mr. Kenneth Kin. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Audit Committee convened on 2020.04.29 without any objection.

Subject: The share subscriptions for cash capital increase of subsidiary which be allocated to the employees of the Company and its subsidiary

Resolutions:

1. Chairman Mr. Charles Hsu receives a share subscription as managerial officer of PUFsecurity, a subsidiary of the Company, and Director Ms. Teresa Cheng is the spouse of Chairman; therefore, they shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote.
2. Director Mr. Rick Shen receives a share subscription as managerial officer of the Company, and Director Ms. Li-Jeng Chen receives a share subscription as an employee of the Company; therefore, they shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote.
3. The chairperson was changed to be served by the Independent Director Mr. Kenneth Kin. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2020.04.29 without any objection.

(3) The fifteenth meeting of seventh Board of Directors (2020.07.29)

Subject: Distribution of the respective remuneration of Directors of the Company in 2019.

Resolutions:

1. Chairman Mr. Charles Hsu, Director Mr. Mu-Chuan Hsu, Mr. Rick Shen are persons to be distributed under this proposal who shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote.
2. Directors Ms. Teresa Cheng and Mr. Jason Hsu are representatives of How-Han Investment Company who is a juristic person Director shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote.

3. The chairperson was changed to be served by the Independent Director Mr. Kenneth Kin. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2020.07.29 without any objection.

Subject: Distribution of the remuneration of Independent Directors of the Company in 2019.

Resolution: Independent Directors Mr. Kenneth Kin, Mr. Ming-To Yu, Mr. T.C. Chen are persons to be distributed under this proposal who shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After the chairperson inquired the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2020.07.29 without any objection.

(4) The sixteenth meeting of seventh Board of Directors (2020.10.28)

Subject: Removing the prohibition on managerial officers from participation in competitive business newly added.

Resolution: Director Mr. Rick Shen is involved person, shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After the chairperson inquired the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Audit Committee convened on 2020.10.28 without any objection.

(5) The seventeenth meeting of seventh Board of Directors (2020.12.16)

Subject: Adjustment of the performance bonus system for management team of the Company for 2020.

Resolution: Chairmen Mr. Charles Hsu and Director Mr. Rick Shen (concurrently is the President) are the persons to be distributed in this proposal, Director Ms. Teresa Cheng is the spouse of Chairman, that they shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Independent Director Mr. Kenneth Kin. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2020.12.16 without any objection.

(6) The eighteenth meeting of seventh Board of Directors (2021.02.24)

Subject: The distribution of 2020 employees' compensation and team operation bonus to management team.

Resolution: Chairmen Mr. Charles Hsu, Directors Mr. Rick Shen and Ms. Li-Jeng Chen are the persons to be distributed in this proposal, Director Ms. Teresa Cheng is the spouse of Chairman, that they shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Independent Director Mr. Kenneth Kin. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2021.02.24 without any objection.

3. The evaluation of the Board of Directors:

Frequency	Period	Scope	Measures	Items
Annual	2020.01.01 ~ 2020.12.31	Board of Directors Individual Members of the Board of Directors Functional Committee	Self-evaluation from the Board of Directors Self-evaluation from Individual Members of the Board of Directors Self-evaluation from the Functional Committee	Self-evaluation from the Board of Directors： 1. Participation in the operation of the Company 2. Improvement of the quality of the Board of Directors' decision making 3. Composition and structure of the Board of Directors 4. Election and continuing education of the Directors 5. Internal control Self-evaluation from Individual Members of the Board of Directors： 1. Alignment of the goals and missions of the Company 2. Awareness of the duties of a Director 3. Participation in the operation of the Company 4. Management of internal relationship and communication 5. The Director's professionalism and continuing education 6. Internal control Self-evaluation from the Functional Committee (including Audit Committee and Remuneration Committee)： 1. Participation in the operation of the Company 2. Awareness of the duties of the Functional Committee 3. Improvement of quality of decisions made by the Functional Committee 4. Makeup of the Functional Committee and election of its members 5. Internal control

4. The targets of enhancing the competence of Board of Directors in current year and latest year (ex. establishing the Audit Committee, enhancing the information transparency etc.) and the assessment of execution:
   (1) The Remuneration Committee had been established on October 20, 2011 by the Company, who takes charge of assisting the Board of Directors in assessing and establish the salary and remuneration of Directors and managers periodically, and on a regular schedule review the performance assessment of Directors and managers and the remuneration policy, system, standards and structure.
   (2) In order to further conform to the spirits of corporate governance, the Audit Committee had been voluntarily established on June 9, 2015, exercise the authority provided for in the Securities and Exchange Act, Company Act and other laws and regulations.
   (3) The " Investor Relations" had been established on the website of the Company, which provides investors the information of financial, business, material information and corporate governance for reference, and have specific persons appointed to maintain the information; the spokesperson system and email address of Audit Committee had been established, for shareholders to inquire the financial , business related information of the Company.
   (4) The Company is dedicated in implementing corporate governance evaluation to improve the information transparency, in 2020, the Company was honorably ranked as "Top 20%" in the corporate governance evaluation system. Besides, the Company was also selected as "TPEx Corporate Governance Index", "TPEx 50 Index","TPEx 200 Index", "TPEx Compensation Index","TPEx RGA Quality 50 Index" and "TPEx Semiconductor Leaders Total Return Index" Constituents.

3.3.2 Audit Committee

The main purpose of Audit Committee is assisting the Board of Directors in performing the supervision on the quality and faith of execution regarding accounting, audit, financial report process and financial control of the Company, the focuses of its practice in 2020 are set forth below:

1. Reviewing and approving the annual and quarterly financial reports.
2. Reviewing and approving the business report and proposal for distribution of profit.
3. Reviewing and approving the amendments of "Procedures for Acquisition or Disposal of Assets", "Procedures for Lending Funds to Other Parties", "Procedures for Endorsement and Guarantee", "Delegation of Authorization" and "Audit Committee Charter".
4. Assessing the effectiveness of internal control system.
5. Reviewing and approving the fees, independence and performance of certified public accountant.
6. Reviewing and approving the loan contract signed with bank.
7. Reviewing and approving the newly added prohibition on Directors and managerial officers from participation in competitive business.
8. Reviewing and approving the proposals for the establishment of overseas subsidiary, capital

increase of subsidiary and loans to the subsidiary.

9. Reviewing and approving the transfer of employee stock option certificates to general shares and relevant change of registration.
10. Reviewing and approving the proposal of audit plan.
11. Reviewing and approving the amendments of "Internal Control System" and relevant "Implement of Internal Audit".
12. Reviewing and approving the proposal of annual budget.

A total of 6 (A) Audit Committee meetings were held in 2020. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Independent Director	Kenneth Kin	6	0	100.00%	
Independent Director	Ming-To Yu	6	0	100.00%	
Independent Director	T.C. Chen	6	0	100.00%	

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:
   (1) Matters referred to in Article 14-5 of the Securities and Exchange Act：After being approved by the concurrence of one-half or more of all members of the Audit Committee, all of these matters were sent to Board of Directors for approval by resolutions, there was not the situation of being approved by the concurrence of two-thirds or more of all members of the Board of Directors and without the approval of Audit Committee, please take a reference to the Major Resolutions of Board Meetings in page 63~67 of this Annual Report.
   (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors：None.
2. Any recusal of Independent Directors due to conflicts of interests during the period of 2020 and up to April 12, 2021 is set forth below:
   The tenth meeting of second Audit Committee (2020.04.29)
   Subject: Proposal of removing the prohibition on Directors from participation in competitive business newly added.
   Resolution: (1) The current Independent Director Mr. Ming-To Yu is involved persons who shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote.
   (2) To make the procedure go smoothly, the Director and Independent Director under this proposal were reviewed individually and entered into recusal by turns, the

resolution is concluded as in the followings:

a. The review on Director: After inquiring all the attended members in the meeting by chairperson, this proposal was approved without any objection and sent to the Board of Directors for discussion and approval.

b. The review on Independent Director : Director Mr. Ming-To Yu entered into recusal, that Director Mr. Kenneth Kin (the chairperson) and Mr. T. C. Chen performed the review, this proposal was approved as is without any objection, and proposed to the Board of Directors for approval.

3. The Communication Situation Between the Independent Directors and Internal Audit Officer and CPA (shall include the communicated material matters, style and result in terms of financial, business status of the Company)

(1) The Audit Officer attended to each meeting of the Audit Committee, and reported the audit practices during the meeting, the Independent Directors may thoroughly communicate with Audit Officer in face.

(2) The Audit Officer will periodically submit audit report to the Independent Directors for review.

(3) The CPA of the Company attended to the meeting of Audit Committee for reviewing each quarter financial report and reported the situation of review or audit, the members of Audit Committee and CPA may thoroughly communicate with each other in face.

3.3.3 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company had established the "Corporate Governance Practice Principles" based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and made it disclosed on the Company's website and Market Observation Post System.	None
2. Shareholding structure & shareholders' rights				None
(1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(1) The Company had established spokesperson system and delegated specific person to take charge of shareholder services and handle the proposals submitted by shareholders, and further employed the legal counsel to assist replying and handling the legal inquiries from the shareholders.	
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2) The Company on schedule possesses the list of major shareholders of the actual controlling company and the ultimate owner of the major shareholders according to the shareholders roster provided by the stock agency when the share transfer registration is suspended.	
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3) The assets, finance, business and accounting affairs of the affiliates are all operated independently, and under the charge of specific person as well as controlled and audited by the parent company.	
(4) Does the Company establish internal rules	V		(4) The Company had established the "Ethical Corporate Management	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
against insiders trading with undisclosed information?			Practice Principles" in which definitely provided that the personnel of the Company shall obey the provisions of the Securities and Exchange Act, and shall in no event make use of undisclosed information for insiders trading, as well as shall not disclose to any third party, to prevent insiders from trading with undisclosed information.	
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	V		(1) The composition of Directors is stipulated in the "Corporate Governance Practice Principles" of the Company, in consideration of diversification and the operation, type of business activities, and demands of development, the properly diversified policies are provided for the major two phases including but not limited to essential conditions and value (in gender, age, nationality, culture, etc.) and professional knowledge and skills (e.g. law, accounting, industry, finance, marketing, technology, etc.), and they generally possess the knowledge, skills and competence necessary for practicing their jobs. Currently, the 9 members of the Board of this term have professional backgrounds in industries, academia and medical science, and professional specialties in the scopes of management, leadership and policy decision, industrial	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			knowledges, academy and financial. Among the Directors, Directors with employee identity take a ratio of 22%; the Independent Directors take a ratio of 33%. In addition, the Company also concerns about the gender distribution of the Board; it is the target to have at least one seat of female Director. Currently, there are two female Directors which account for 22%. The seniority of the three Independent Directors are 5, 6, and 12 years respectively; 6 Directors are more than 60 years old, and 3 Directors are under the age of 60.	
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		(2) The Company had established Audit Committee voluntarily in 2015 while the establishment of Audit Committee is not compulsorily required; other functional committees will be established according to the demands of business operation in the future.	
(3) Has the Company established the rules and methodology for evaluating the performance of its Board of Directors and taken the performance appraisal on an annual basis then making the appraisal result reported to the Board of Directors, which will be used as a reference for the remuneration and nomination for the renewal of respective director?	V		(3) The Board of Directors of the Company has approved formulation of the Rules for Board of Directors Performance Assessment on October 28, 2020, and taken the performance appraisal on an annual basis then making the appraisal result reported to the Board of Directors, which will be used as a reference for the remuneration and nomination for the renewal of respective Director.	
(4) Does the Company	V		(4) The Audit Committee and Board of	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
regularly evaluate the independence of CPAs?			Directors of the Company annually evaluate the independence of CPAs pursuant to the provisions of No. 10 of the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and obtain the Confirmation of Independence from CPAs; the latest evaluation date is December 16, 2020.	
4. Does the Company have an adequate number of corporate governance personnel with appropriate qualifications, and appoint a chief corporate governance officer who takes charge of the corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handling matters relating to board meetings and shareholders' meetings according to the laws, and producing minutes of board meetings and shareholders' meetings, etc.)?		V	Although the capital of the Company does not reach the standard of establishing a chief corporate governance officer, every unit of the Company takes charge of corporate governance related affairs according to their job functions: The stock affairs unit is responsible for handling the operation of Board of Directors, Audit Committee and Shareholders' Meeting, and assists Directors in business execution in time and efficiently according to the "Standard Operational Protocol for Responding to Requests from Directors" of the Company; Human Resource Department is responsible for the works related to meetings of the Compensation Committee; President Office is the top leading unit for the scope of ethic corporate management and corporate social responsibility which is responsible for coordinating the target of corporate social responsibility and formulate the sustainable development policies, and annually report to the Board of Directors.	None
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders	V		The stakeholders of the Company may find the corresponding contact information through the "Stakeholder Engagement" on the website of the	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?			Company, or express opinions by sending emails to the members of Audit Committee. Furthermore, the area of "Social Responsibility" on the corporate website interprets the corporate social responsibility policy and explicit achieves in detail which provides the stakeholders for the ideas related to corporate social responsibility of the Company.	
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company delegates the Brokerage Registry and Transfer Services Department of KGI Securities Co., Ltd. to deal with the shareholder affairs.	None
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish	 V V V		 (1) The Company has a corporate website both in Chinese and English to disclose both financial standings and the status of corporate governance. (2) The Company had built a corporate website both in Chinese and English and appointed designated people to handle information collection and disclosure; carried out the spokesman system; participate in the investor conference held by the external institutes without a fixed schedule, and voluntarily webcast the investor meeting each quarter, the information for investor conference had been disclosed on the Market Observation Post System and the corporate website. (3) The Company had published and reported its annual financial reports of 2019 and 2020 on February 20, 2020 and February 25, 2021 respectively, and the financial	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?			reports for the first, second and third quarters of 2020 and the financial reports for the first quarter of 2021 as well as its operating status for each month had been published and reported before the specified deadline.	
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		(1) The Company actively protects the rights and benefits of employees and is concerned with employees, except obeying the provisions related to labor laws and regulations, also provide the leave better than labor laws and regulations. (2) The Company had established the unit of Investor Relations which can immediately handle the inquiries rendered by the investors. (3) The procurement unit of the Company manages the suppliers pursuant to the Procedures for Control of Procurement Operation, and re-examine the list of qualified suppliers, to secure the supplier quality. (4) The stakeholders may communicate through the Stakeholder Engagement of the corporate website. (5) All Directors of the Company actively participated in various professional enhancement courses, the Directors profession enhancement status had disclosed on the Market Observation Post System. (6) The Board Meeting is convened at least quarterly, the status of attendance is good, the Director had	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>avoided the vote or discussion if he/she has a personal interest in the matter under discussion.
(7) The internal control system, fiscal year budgets and necessary management rules and procedures are the risk control policies and measurement standards, and those system, budgets and procedures shall be examined by the Audit Committee and approved by the Board of Directors; the unit being in charge has to report the status of execution to Audit Committee and the Board.
(8) The Company had established the Procedures for Control of Customer Services Provision, the Procedures for Customer Satisfaction Survey, which provide the handling procedures, and periodically evaluate the satisfactory of customers to make sure the customers have best services.
(9) The Directors and manager had been insured for liabilities and this is disclosed on the Market Observation Post System.</td><td></td></tr>
<tr><td colspan="5">9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.
(1) The Board of Directors of the Company has approved formulation of the Rules for Board of Directors Performance Assessment on October 28, 2020, and taken the performance appraisal on an annual basis. Please refer to page 30 of this Annual Report for the implementation status.
(2) Beginning 2021, when the Company releases material information, both the Chinese version and the English version shall be released simultaneously.</td></tr>
</table>

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Criteria / Title/Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director Kenneth Kin	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director Ming-To Yu	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director T.C. Chen	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or 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 any of the persons in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3.
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, ranks as of its top 5 shareholders, or has representative director(s) serving on the Company's board based on Paragraph 1 or 2 Article 27 of the Company Act. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the Company. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
7. Not a director, supervisor, or employee of a company of which the Chairman or President (or equivalent) themselves or their spouse also serve as the Company's Chairman or President (or equivalent). Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

8. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary holds 20% or more and no more than 50% of the total number of issued shares of the Company and as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
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 Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not been a person of any conditions defined in Article 30 of the Company Act.

B. Attendance of Members at Remuneration Committee Meetings

The Remuneration Committee of the Company takes charge of assisting the Board of Directors in executing and assessing the entire remuneration and welfare policies of the company, and the remuneration of Directors and managers. The focuses of its practice in 2020 are set forth below:

(1) Reviewing and approving the distribution of employees' compensation and the remuneration of Directors.

(2) Reviewing and approving the performance assessment of managers.

(3) Reviewing and approving the distribution of employees' compensation and team operation bonus to management team.

(4) Reviewing and approving the adjustment of the performance bonus system for management team.

(5) Reviewing and approving the distribution of the respective remuneration of Directors and Independent Director.

(6) Reviewing and approving the share subscriptions for cash capital increase of subsidiary which be allocated to the employees of the Company and its subsidiary.

Resolutions of the remuneration committee and the Company's response to the remuneration committee 's opinion in 2020, please take a reference to the Major Resolutions of Board Meetings in page 63~67 of this Annual Report.

There are 3 members in the Remuneration Committee. A total of 4 (A) Remuneration Committee meetings were held in 2020. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Convener	Kenneth Kin	4	0	100.00%	
Committee Member	Ming-To Yu	4	0	100.00%	
Committee Member	T.C. Chen	4	0	100.00%	
Other mentionable items: 1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None. 2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.					

3.3.5 Corporate Social Responsibility Implementation Status and Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Does the Company make the risk assessment on the issues concerning environment, society and corporate governance which are related to the operation of Company according to the materiality principle, and establish relevant risk management policies or strategy?	V		To ensure the thorough implementation of sustainable strategy, the Company has its President convene Management Examination Meeting every six months to review the issues related to environment, society and corporate governance which are concerned by stakeholders; in consideration of the materiality principle, the Company establishes risk assessment which is relevant to the business operation, and proposes related policies and measures. Please refer to page 118~120 of this Annual Report. The information with respect to the issues which are concerned by stakeholders and the communication performances is disclosed in the "Stakeholder Engagement" area on the corporate website.	None
2. Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		On December 21, 2016, the Board of Directors had appointed the President Office as the dedicated unit which is responsible for establishing the corporate social responsibility, and report to the Board of Directors the status of implementation on an annual basis; the annual report of implementation of the corporate social responsibility for each year shall be published on the corporate website.	None
3. Environment Topic (1) Does the Company establish proper environmental management systems	 V		 (1) The main business of the Company is silicon IP licensing, which is non-pollution business; therefore, the verification of Environmental	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
based on the characteristics of their industries?			Management System is not applicable.	
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(2) The Company obeys the laws and regulations related to environment protection to sign the contracts with legal cleaning service companies for cleaning and recycling the recyclable wastes to implement the sustainable policy of environment protection and resource recycling.	
(3) Does the Company evaluate the potential risk and opportunity caused by the climate change currently and in the future, and take measures corresponding to the climate relevant issues?	V		(3) The Company has evaluated that climate change may cause disaster hazard, market risk, operation risk etc., and to minimize the impact of increased operation costs caused by the relevant potential risks, the Company alters the green environmental protection from duties to opportunities by the innovation of core technologies, implementing component reduced product design which substitutes the complex manufacturing process required by the conventional non-volatile memory, and reduces the emission of carbon dioxide; depending on the innovation in several aspects of strategy, market, management, research and development, and accompanying with power of implementation, the Company keeps change for sustainability.	
(4) Does the Company make statistics of total greenhouse gas	V		(4) The Company is a professional silicon IP company, and not engaged in production and manufacturing	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
emissions, water consumption and waste weight of the Company during past two years, and establish strategies for energy conservation, carbon and greenhouse gas reduction, water consumption saving or waste management?			(intangible product); thus, there is no industrial waste being produced. Domestic waste can be divided into general waste (including kitchen waste) and recyclable waste. The waste is collected by employees in the temporary waste storage area; then the property management company assists in its removal. The waste is then transported by a qualified waste handling operator to the incineration plant for treatment and disposal. In addition, the Company has promoted the implementation of energy-saving measures in the office. For example, air conditioning systems have been equipped with timers for scheduled operation; tap water savers have been installed to save water; and employees are encouraged to turn off any unused lights, adopt paperless operations, and practice water conservation. Moreover, a regular annual inventory of greenhouse gases and water consumption is carried out, to achieve the goals of reducing carbon dioxide emissions, water consumption, and total waste generation year by year, and thus implementing environmental protection. eMemory's average 2020 carbon dioxide emissions per capita were 2,407 kg, a reduction of 6.1% from 2019's figure of 2,563 kg. We intend that carbon emissions will continue to be reduced to 2,300 kg per capita. 2020 average water	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			consumption per capita was 13.3 m^3, a decrease of 14.7% from 2019’s figure of 15.6 m^3. We intend that water consumption per capita will continue to be reduced to 13 m^3 in the future. The weight of domestic waste in 2020 was 12 kg/person (9.6 kg of general waste/2.4 kg of recyclable waste), a decrease of 13% from the 13.8 kg/person (11.3 kg of general waste/2.5 kg of recyclable waste) figure for 2019. We intend that the weight of domestic waste will be reduced by 5% annually in the future.	
4. Society Topic (1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (2) Does the Company establish and implement rational employee welfare	V V		(1) The “Human Rights Protection Policy” had been established by the Company and publicly disclosed on the corporate website. The Company abides by local laws and regulations, and complies with internationally recognized human rights standards such as <UN Guiding Principles on Business and Human Rights>, <International Labor Organization Declaration of Fundamental Principles and Rights at Work>, <Universal Declaration of Human Rights>, <Responsible Business Alliance Code of Conduct>, and treat all employees, contractors and contingent workers, interns with dignity and respect. (2) It is definitely provided for in the Articles of Incorporation that if there is any pre-tax profit, 1% to 25% of the profit shall be distributed to eligible	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
measures (including remuneration, leave and other welfare etc.) and appropriately reflect the corporate business performance or achievements in the employee remuneration policy?			employees for profit sharing. Based on the ideas of human-based management and profit sharing with employees, and also taking account of the external competitiveness, internal fairness and legality, the “Salary Management Rule” is established, which provides various and competitive salary, welfare and reward programs. In addition to the fixed bonus paid for the three traditional festivals, the annual target will be set each year, and the seasonal bonus or performance bonus, project bonus and compensations (bonus) will be distributed to employees to encourage them according to the business operation performance and the status of completion of the target reviewed each season. The employee promotion is processed according to the “Rules for Performance Management”, two assessments are performed each year which will be the basis for the salary adjustment, promotion, bonus. The Company concerns the balance of employees’ work and life, except providing the competitive salary, the leaves and activities are offered under the conditions better than those required by laws. The subsidy for daily afternoon tea is granted; there are society activities every week; birthday parties are held by the Welfare Committee each season. The	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			travel subsidy is provided as well as the family day and year-end party are held each year. In addition to the leaves stipulated in the Labor Standards Act, the Company grants 7 days of special leaves and the leave for birthday. Under certain requirements, 7 days of full-pay sick leaves will be given which are better than those provided by laws.	
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(3) The Company is dedicated in the topics of securing labor health and working environment by periodically implementing safety and health education and holding “Fire Safety Seminar” propaganda courses pursuant to the occupational safety and health relevant laws and regulations. And by providing specific parking spaces or transportation allowances, nursery room, full time security system, multifunction rest area etc. the employees can enjoy a comfortable and healthy environment. We believe that the most fortune of the Company shall be the healthy employees, we provide full exercise allowances for fitness and hold health examination periodically, and the nursing personnel on-site services are available in the Company to manage the health of employees and provide health consulting services. During the high-risk period of the COVID-19 pandemic, the policy of split operations was adopted to reduce the	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			risk of cross infection among employees. Later on, precautions to help fight the pandemic have continued to be periodically promoted.	
(4) Does the Company provide its employees with career development and training sessions?	V		(4) In order to improve the scheduled milestone and develop the employees' abilities in profession and management to make human resources efficiently available and obtain the knowledge, skill and ability required for work, develop the goals of each stage on the basis of deeply establishing human resource of the Company. Every Wednesday is set as eMemory's Learning Day to hold various internal training courses. In addition, financial support for external training courses is provided. Cross-disciplinary learning programs and training plans at all levels have been established. The goal of employee's career development, learning capability, execution status, effectiveness review will be further planned and connected with internal practices, that the annual program planning can be proposed.	
(5) Has the Company complied with relevant laws and regulations and international standards for the health and safety of customers, customer privacy, marketing and	V		(5) The major business of the Company is silicon IP licensing, that labeling will not be applicable for the products are intangible. The Company has passed the TÜV Rheinland ISO 9001:2015 Quality Management System certification and obtained corresponding certificates. The	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
labeling of products and services, and formulated relevant consumer protection policies and complaint procedures?			NeoBit & NeoEE AS series products have passed the TÜV Rheinland ISO 26262 (Road Vehicles-Functional Safety) & Industrial Specifications IEC 61508 (Functional safety of electrical/electronic/programmable electronic safety-related systems) certification and obtained corresponding certificates. Besides, the Company insists on the spirit of "Quality First, Service Best, Customer Satisfied" and focuses on product quality to reach the main goal of increasing the customer's satisfaction, provides customers with safe, reliable and high quality products, and maintain good communication channel with customers by providing transparent and effective complaint handling procedures for products and services. In addition, the customer satisfaction survey is conducted every year, the Company deserves recognition from customers for years, the average score of 2020 is 95.73.	
(6) Does the Company establish supplier management policy and request suppliers to comply with related standards on the topics of environmental protection, occupational safety and health or labor right, and their	V		(6) The Company established "eMemory Supplier Code of Conduct" to require the supply chain vendors for being qualified with the requirements of safe working environment, that their employees shall be respected with dignity, facilitating environment protection in business operation and complying with ethics. Except requiring the suppliers for following the code of conduct, the major	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
implementation status?			suppliers are also required for signing the “ eMemory Supplier Social Responsibility Commitment” and complying with the local laws and regulations implemented in the place their businesses are operated. Otherwise, the suppliers are also encouraged to require their downstream suppliers, contractors and service providers for recognizing and adopting the “eMemory Supplier Code of Conduct” . The supplier will be required for performing the self-examination pursuant to the “Supplier_Checking List” annually by the Company, where the five phases of labor, health and safety, environment protection, ethics and management system are included in the content, and the suppliers are required for complying with the regulations related to the subjects of environment protection, health and safety etc. There were 25 “Supplier_Checking List” distributed to the suppliers in 2020, and all of the checking list forms were received after the suppliers filled in them. The Quality Management & Process Integration Department will review the collected checking list forms and make them as a basis for supplier management. If it is necessary, the on-site audit will be performed by the Quality Management & Process Integration Department to ensure the	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td></td><td></td><td></td><td>supply chain’s performance of corporate social responsibility.</td><td></td></tr>
<tr><td>5. Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquired 3rd certification party verification or statement of assurance?</td><td>V</td><td></td><td>Although the capital of the Company does not reach the standard of preparing for CSR report, we voluntarily adopt the Sustainability Reporting Guidelines set by the Global Reporting Initiative (GRI) in preparing the Chinese and English versions of the Company’s corporate social responsibility report, and disclose this on the Company's website as well as the Market Observation Post System.</td><td>None</td></tr>
<tr><td colspan="5">6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation：None.</td></tr>
<tr><td colspan="5">7. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices：
(1) The Company has established the Social Responsibility area on the corporate website, in which interprets the corporate social responsibility policy of the Company and explicit achievements, that the internal and external persons can be clearly aware of the social responsibility ideas of the Company.
(2) The Company participates in the philanthropic activities and gives back to the society. In 2020, we donated NT$ 800,000 to National Tsing Hua University for scholarships and academic forums, NT$ 370,000 to “Teach for Taiwan”, donated laptop computers to ”Stella Maris Ursuline High School”, donated stationery to “Ren-Ai Home for Children” and participated in the Christmas flower bazaar for “Development Center of Spinal Cord Injury”.
(3) The Company dedicated to diversified learning program, except internally providing various knowledge inheritance courses, especially cooperate in opening related courses with universities and colleges, hope this can well fulfill the social responsibility by the opportunity of sharing resources, and establish the cooperation platform for both the industries and academies, share and exchange the practices of industry with academia.</td></tr>
</table>

3.3.6 Ethical Corporate Management Implementation Status and Deviations from "the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs (1) Does the Company establish the ethical corporate management policies which are approved by the Board of Directors, and clearly specify in the rules and external documents the ethical corporate management policies and measures, and the commitment made by the Board of Directors and senior management on rigorous and thorough implementation of such policies? (2) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and	V V		(1) The Company engages in commercial activities by basing on the fair, honest, trustworthy, transparent principle, that the "Ethical Corporate Management Practice Principles" had been established and approved by the Board of Directors on December 21, 2016 to make ethical management practicable and prevent form unethical conducts. The President Office is appointed as a dedicated unit which is responsible for establishing the ethical corporate management policies and prevention programs and supervising the implementation and report on the same to the Board of Directors on an annual basis, as well as publicly disclose "Ethical Corporate Management Practice Principles" on the corporate website and Market Observation Post System; furthermore, the implementation of the ethical corporate management for each year shall be published on the corporate website. (2) The Company had established the "Work Rules" in which provided definitely that all the employees are required to be honesty without accepting bribes to prevent the benefit	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
assess business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs, which at least include preventive measures against the conducts provided for in paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?			of the Company from being damaged for the individual benefit of the employee; the handling procedures and the reward and penalty system for inhibiting the Director, manager, employee etc. to provide or accept improper benefits are also definitely provided in the "Ethical Corporate Management Practice Principles" of the Company. Besides, in order to ensure the fulfillment of ethical management, the President Office, as the unit in charge, shall annually report to the Board of Directors.	
(3) Dose the Company clearly and thoroughly prescribe the operational procedures, guidelines, discipline for violation and complaints system in the programs of preventing unethical conducts, on rigorous and thorough implementation of such programs, and review the programs periodically?	V		(3) The clear directions of "Ethical Corporate Management Practice Principles" for performance of duties, operation procedures, discipline for violation and complaint channel, stakeholders may find the corresponding contact information through the area of "Stakeholder Engagement" on the corporate website, or send emails to the Company or the members of Audit Committee to inform of unethical or complain.	
2. Fulfill operations integrity policy				None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(1) The sales unit and procurement unit of the Company respectively evaluates customer's credit and manages the quality of supplier's services pursuant to the internal procedures. The Company also cooperate with customers to sign the Supplier Code of Conduct or Supplier Social Responsibility Commitment and requires major suppliers to sign the "eMemory Supplier Social Responsibility Commitment" in which the requirement of ethical conduct has been provided.	
(2) Does the Company establish a dedicated unit that is under the Board of Directors and responsible for establishing the ethical corporate management, and report to the Board of Directors the ethical corporate management policies, prevention programs and the status of implementation under supervising periodically (at least on an annual basis)?	V		(2) On December 21, 2016, the Board of Directors had appointed the President Office as the dedicated unit which is responsible for establishing the ethical corporate management, and report to the Board of Directors the ethical corporate management, prevention programs and the status of implementation under supervising on an annual basis, the implementation of the ethical corporate management for each year shall be published on the corporate website.	
(3) Does the Company establish policies to prevent conflicts of interest and provide	V		(3) The recusal for Directors' interest conflict had been provided in the "Rules of Procedure for Board of Directors Meetings", that the Director	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
appropriate communication channels, and implement it?			him/herself or the corporate he/she represents for has a stake in the proposal at the meeting where there is a likelihood that the interests of the Company would be prejudiced, may state opinions or answer the inquiry but not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. Furthermore, the "Ethical Corporate Management Practice Principles" of the Company has provided the situation that in the event the personnel of the Company find there is conflict to the interests of his/her or the entity he/she represents for, or there is a likelihood that himself or herself, his or her spouse, parent, child or the stakeholder may obtain the improper benefits when executing the business of the Company, shall report the related events to his/her direct supervisor and the unit in charge, and the direct supervisor shall provide proper direction.	
(4) Does the Company had established effective accounting system, internal control system for rigorous and thorough implementation of ethical corporate	V		(4) In order to fulfill the ethical management, the Company had established effective accounting system and internal audit system. The financial reports of the Company had been reviewed by the CPAs with audit report. Based on the results of assessment of the risk of involvement in unethical	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
management, and based on the results of assessment of the risk of involvement in unethical conducts under internal control operation, does the internal auditor devise internal audit plans and perform the examination on the compliance with programs of preventing from unethical conducts, or delegate a certified public accountant to perform the examination?			conducts under internal control operation, the internal auditor devises internal audit plans and performs the examination.	
(5) Does the Company regularly hold internal and external educational trainings on operational integrity?	V		(5) The fulfillment of ethical principle by employees is highly valued during the daily business, that the "Information Environment and Information Safety Propaganda" course is arranged in the new employee's training courses, which emphasize on well preserving and keeping the confidentiality of either tangible information equipment or intangible information assets to prevent the confidentiality of the Company from being revealed. The course of "Personal Information Protection Act Propaganda" puts emphasis on the execution of non-disclosure agreement by the personnel who handles personal	

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			information to well conform to the confidentiality obligations and not illegally use the personal information. And the course of “Insider Trading Propaganda” which propagates the inhibition of making use of undisclosed information to conduct insider trading and disclose to others. In 2020, the total number of new employees of the Company who participated in the courses mentioned above are 21, and total in 23.1 hours. The course materials were uploaded to the Company's internal learning system for reference by all employees.	
3. Operation of the integrity channel (1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the Company establish the standard	V V		(1) The whistle-blowing system and related processing procedures had been established in the “Stakeholders Engagement” area on the corporate website, and the company's internal platform, myeMemory, also established an Employee Suggestion Mailbox, providing a way for employees to express their opinions, or the whistle-blowing can be made by sending an email to the member of Audit Committee, the whistle-blowing case will be handled by a person appointed by the Company according to the accused. (2) After receiving the whistleblowing case, according to the matters, the	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
operational procedures for investigation when whistle-blowing case occurs, the follow-up measures as well as the confidential mechanism after the investigation? (3) Does the Company provide proper whistleblower protection?	 V		Company shall appoint a person to accept and investigate the case. The appointed person shall report to the Company and the whistleblower about handling methods, schedule and result, the whistleblower and appointed person shall keep the investigation and related information confidential, that it shall not be disclosed, and the Company shall protect the whistleblower from revenge or other improper treatment. (3) As mentioned in the above, the Company shall protect the whistleblower from improper treatment due to the whistleblowing. The involved person who fails to keep the confidentiality and causes the confidentiality revealed shall be disciplined pursuant to the related rules.	
4. Strengthening information disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		The "Ethical Corporate Management Practice Principles" of the Company had been established and publicly disclosed on the corporate website and Market Observation Post System; the execution status of ethical management of the Company is further interpreted on the corporate website and in the Annual Report.	None
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation：None.				
6. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g., review and amend its policies)：None.				

3.3.7 Corporate Governance Guidelines and Regulations

To enhance corporate management system, the Company had established the corporate management related rules such as Rules of Procedure for Shareholders Meetings, Rules of Procedure for Board of Directors Meetings, Rules for Election of Directors, Rules for Board of Directors Performance Assessment, Corporate Governance Practice Principles, Corporate Social Responsibility Practice Principles, Ethical Corporate Management Practice Principles, Rules Governing the Scope of Powers of Independent Directors, Audit Committee Charter and Remuneration Committee Charter, relevant contents of the fore mentioned rules are available on the Market Observation Post System and the corporate website.

3.3.8 Other Important Information Regarding Corporate Governance

To implement the hierarchical responsibilities management mechanism, the delegation of authorization had been established and authorized by the Board of Directors; the internal control system includes the management of related party transactions, supervision and management of subsidiaries, management of operation of Board meetings, management of Audit Committee meeting operations and management of Remuneration Committee meeting operations, that internal audit unit shall annually arrange the audit and report to the Audit Committee and Board of Directors.

The Company further established the rules related to corporate governance including Procedures for Acquisition or Disposal of Assets, Procedures for Endorsement and Guarantee, Procedures for Lending Funds to Other Parties, and Procedures for Repurchase of Shares which are available on the Market Observation Post System and the corporate website.

The Directors of the Company continuingly participate in the corporate governance and professional knowledge training courses and obtained the certified documents every fiscal year pursuant to the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies”. The Directors profession enhancement status had disclosed on the Market Observation Post System.

3.3.9 Internal Control System Execution Status

A. Statement of Internal Control System

eMemory Technology Inc.

Statement of Internal Control System

February 24, 2021

Based on the findings of a self-assessment, eMemory Technology Inc. (eMemory) states the following with regard to its internal control system during the year 2020:

1. eMemory's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control 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 rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and eMemory takes immediate remedial actions in response to any identified deficiencies.
3. eMemory evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. eMemory has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, eMemory believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of eMemory's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on February 24, 2021, with none of the nine attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

eMemory Technology Inc.

Chairman：Charles Hsu

President：Rick Shen

B. If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

3.3.10 Legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, where the result of such penalty could have a material effect on shareholder equity or securities prices, disclose the penalty, the main shortcomings, and condition of improvement.: None.

3.3.11 Major Resolutions of Shareholders' Meeting, Board Meetings, Audit Committee and Remuneration Committee

A. Major Resolutions of Shareholders' Meeting in 2020

<table>
<tr><th>Major Resolutions</th><th>Status of Execution</th></tr>
<tr><td>Adoption of the Business Report and Financial Statements of 2019</td><td>Approved by resolution.</td></tr>
<tr><td>Adoption of the Proposal for Profit Distribution of 2019</td><td rowspan="2">July 6, 2020 was set as the distribution closing date, July23, 2020 was set as the distribution date.(cash dividends were distributed by NT$ 5.5 per share; cash derived from Capital Surplus was distributed by NT$1.5 per share)</td></tr>
<tr><td>Adoption of Distributing the Cash from Capital Surplus</td></tr>
<tr><td>Adoption of Amendment to the "Rules of Procedure for Shareholders Meetings"</td><td>Approved by resolution, and implemented according to the amendment to the articles.</td></tr>
<tr><td>Adoption of Amendment to the "Procedures for Acquisition or Disposal of Assets"</td><td>Approved by resolution, and implemented according to the amendment to the articles.</td></tr>
<tr><td>Adoption of Amendment to the "Procedures for Lending Funds to Other Parties"</td><td>Approved by resolution, and implemented according to the amendment to the articles.</td></tr>
<tr><td>Adoption of Amendment to the "Procedures for Endorsement and Guarantee"</td><td>Approved by resolution, and implemented according to the amendment to the articles.</td></tr>
<tr><td>Adoption of Removing the Prohibition on Directors from Participation in Competitive Business Newly Added</td><td>Approved by resolution.</td></tr>
</table>

B. Major Resolutions of Board Meetings, Audit Committee and Remuneration Committee in 2020 and up to April 12, 2021

Time	Term	Major Resolutions	Status of Execution
2020.02.19	The eleventh meeting of seventh term	1. Approved the distribution of employees' compensation and Directors' remuneration of 2019 (*2) 2. Approved the transfer of employee stock option certificates first issued in 2016 to general shares and relevant change of registration (*1) 3. Approved the financial statements and business report of 2019 (*1) 4. Approved the proposal of profit distribution of 2020 (*1)	All of the items were executed according to the resolutions.

Time	Term	Major Resolutions	Status of Execution
		5. Approved the proposal of distributing the cash from capital surplus 6. Approved the proposal of amending of the “Rules of Procedure for Shareholders Meetings” 7. Approved the proposal of amending of the “Procedures for Acquisition or Disposal of Assets” (*1) 8. Approved the proposal of convening the 2020 general shareholders’ meeting 9. Approved the 2019 performance assessment of managers (*2) 10. Approved the proposal of distribution of 2019 employees’compensation and team operation bonus to management team (*2) 11. Approved the report of self-assessment of internal control system and the “Statement of Internal Control System” for 2019 (*1) 12. Approved the amendments of “Internal Control System” and the relevant “Implementation rules for internal audits” (*1) 13. Approved the professional fees of CPA for 2020 (*1)	
2020.03.19	The twelfth meeting of seventh term	1. Approved the proposal of implementing repurchase the shares of the Company, which will be the source of the stock used to transfer to employees	The eMemory stock price remained stable during implementation of the treasury stock. To enable the funds to be used more effectively and to protect shareholder equity, the actual repurchased amount

Time	Term	Major Resolutions	Status of Execution
			varied from the expected repurchase amount.
2020.04.29	The thirteenth meeting of seventh term	1. Acknowledged the loans had been signed with the bank for the need of business operation (*1) 2. Approved the proposal of loans with the bank for the need of business operation (*1) 3. Approved the 2020 first quarter consolidated financial report (*1) 4. Approved the proposal of amending of the "Procedures for Lending Funds to Other Parties" and the "Procedures for Endorsement and Guarantee" (*1) 5. Approved the proposal of removing the prohibition on Directors from participation in competitive business newly added (*1) 6. Approved the amendment of subjects for convening the 2019 general shareholders' meeting 7. Approved the amendments of the "Delegation of Authorization" (*1) 8. Approved the share subscriptions for cash capital increase of subsidiary which be allocated to the employees of the Company and its subsidiary (*2)	All of the items were executed according to the resolutions.
2020.07.03	The fourteenth meeting of seventh term	1. Approved the proposal to establish overseas subsidiary for the purpose of developing the subsidiary business was passed (*1) 2. Approved the proposal to formulate the "Procedures for Repurchase of Shares" and related internal control systems (*1)	All of the items were executed according to the resolutions.
2020.07.29	The fifteenth meeting of seventh term	1. Approved the 2020 second quarter consolidated financial report (*1) 2. Approved the proposal of distribution of the respective remuneration of Directors of the Company in 2019 (*2) 3. Approved the proposal of distribution of the remuneration of Independent Directors of the Company in 2019 (*2) 4. Approved the proposal to provide loans to the subsidiary (*1) 5. Approved the proposal to increase the capital of	All of the items were executed according to the resolutions.

Time	Term	Major Resolutions	Status of Execution
		subsidiary for business development (*1)	
2020.10.28	The sixteenth meeting of seventh term	1. Approved the transfer of employee stock option certificates first issued in 2016 to general shares and relevant change of registration (*1) 2. Approved the 2020 third quarter consolidated financial report (*1) 3. Approved the amendments of “Internal Control System” and the relevant “Implementation rules for internal audits” (*1) 4. Approved the proposal to add to and revise the Company's regulations in compliance with the competent authority for the purpose continuously fulfilling corporate governance (*1) 5. Approved the removing the prohibition on managerial officers from participation in competitive business newly added (*1)	All of the items were executed according to the resolutions.
2020.12.16	The seventeenth meeting of seventh term	1. Approved the proposal of budget of 2021 (*1) 2. Approved the proposal of audit plan of 2021 of the Company and its subsidiary (*1) 3. Approved the assessment of the independence and performance of the CPA engaged by the Company (*1) 4. Approved the adjustment of the performance bonus system for management team of the Company for 2020 (*2)	All of the items were executed according to the resolutions.
2021.02.24	The eighteenth meeting of seventh term	1. Approved the distribution of employees’ compensation and Directors’ remuneration of 2020 (*2) 2. Approved the transfer of employee stock option certificates first issued in 2016 to general shares and relevant change of registration (*1) 3. Approved the financial report and business report of 2020 (*1) 4. Approved the proposal of profit distribution of 2020 (*1) 5. Approved the proposal of distributing cash from capital surplus 6. Approved the election of Directors for the 8th term 7. Approved the proposal of convening the 2021 general shareholders’ meeting	Except the distributions under proposal 1 & 9 are not completed, and the proposal 3~7 will be determined during the shareholders’ meeting on 2021.06.10, the other items were executed according to

Time	Term	Major Resolutions	Status of Execution
		8. Approved the 2020 performance assessment of managers (*2) 9. Approved the proposal of distribution of 2020 employees'compensation and team operation bonus to management team (*2) 10. Approved the proposed amendments of "Remuneration Committee Charter" (*2) 11. Approved the report of self-assessment of internal control system and the "Statement of Internal Control System" for 2020 (*1) 12. Approved the professional fees of CPA for 2021 (*1)	the resolutions.

*1: The matters that Audit Committee of the Company submits to the Board of Directors for approval Pursuant to Article 14-5 of the "Securities and Exchange Act".

*2: The matters that Remuneration Committee of the Company submits to the Board of Directors for approval Pursuant to Article 7 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

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

3.3.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D：None.

3.4 Information Regarding the Company's Audit Fee and Independence

Audit Fee Scale

Fee Range \ Fee Items		Audit Fee	Non-audit Fee
1	Under NT$ 2,000,000		✓
2	NT$2,000,000 ~ NT$3,999,999	✓	
3	NT$4,000,000 ~ NT$5,999,999		
4	NT$6,000,000 ~ NT$7,999,999		
5	NT$8,000,000 ~ NT$9,999,999		
6	NT$100,000,000 or above		

3.4.1 Non-Audit Fee Paid to Auditors and the Accounting Firm Accounted for More Than One-Fourth of Total Audit Fee Shall Disclose the Amount and The Service Item:

Audit Fee and Non-Audit Fee Paid to the Accounting Firm in 2020 are provided below：

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Yu-Feng Huang Su-Li Fang	2,005	None	None	None	30	30	2020	Other Non-Audit Related Fee: Review of Annual Report in Amount of NT$30K.

3.4.2 When the Company Changes Its Accounting Firm and the Audit Fees Paid for the Fiscal Year in Which Such Change Took Place Are Lower Than Those for the Previous Year, The Reduction in the Amount of Audit Fees, Reduction Percentage, and Reason(s) Therefore Shall Be Disclosed: None.

3.4.3 When the Audit Fees Paid for the Current Year Are Lower Than Those for the Previous Fiscal Year by 10 Percent Or More, the Reduction in the Amount of Audit Fees, Reduction Percentage, and Reason(s) Therefore Shall Be Disclosed: None.

3.5 Replacement of CPA：None.

3.6 The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and Managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2020.

3.7 Changes in Shareholding and Shares Pledged by the Directors, Supervisors, Managers and Shareholders with 10% Shareholdings or More

A. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Title	Name	2020		2021 (As of April 12)	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Charles Hsu	0	0	0	0
Director	Mu-Chuan Hsu	0	0	0	0
Director	How-Han Investment Corporation	0	0	0	0
Director	Li-Jeng Chen	0	0	0	80,000
Director and President	Rick Shen	(3,832)	0	(9,000)	0
Independent Director	Kenneth Kin	0	0	0	0
Independent Director	Ming-To Yu	0	0	0	0
Independent Director	T.C. Chen	0	0	0	0
Senior Vice President	Chris Lu	0	0	0	0
Senior Vice President and Chief of Technology Officer	Ching-Yuan Lin	(8,000)	0	0	0
Senior Vice President	Michael Ho	0	0	0	0
Vice President	Anita Chang	(1,000)	0	(3,000)	0
Vice President	John Ho	(18,000)	0	0	0
Vice President	Evans Yang	0	0	0	0
Accounting and Financial Officer	Teresa Kuo	(2,000)	0	0	0

B. Shares Trading with Related Parties: None.

C. Shares Pledge with Related Parties: None.

3.8 Relationship among the Top Ten Shareholders

04/12/2021；Unit: Share；%

Name	Current Shareholding		Spouse's / minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Government of Singapore	5,196,000	6.83	N/A	N/A	N/A	N/A	None	None	None
SmallCap World Fund Inc.	4,314,334	5.67	N/A	N/A	N/A	N/A	None	None	None
Fubon Life Insurance Co., Ltd Representative : Richard M. Tsai	3,914,000	5.14	N/A	N/A	N/A	N/A	None	None	None
Li-Jeng Chen	2,345,000	3.08	-	-	-	-	eMemory Technology Inc.	Director of the Comapany	None
Fidelity Emerging Markets Fund	2,289,000	3.01	N/A	N/A	N/A	N/A	None	None	None
Swedbank Robur Globalfond	2,000,000	2.63	N/A	N/A	N/A	N/A	None	None	None
Swedbank Robur Technology	2,000,000	2.63	N/A	N/A	N/A	N/A	None	None	None
Charles Hsu	1,629,407	2.14	1,423	0	-	-	eMemory Technology Inc.	Chairman of the Comapany	None
Allianz Global Investors Taiwan Technology Fund	1,581,000	2.08	N/A	N/A	N/A	N/A	None	None	None
eMemory Technology Inc. Representative : Charles Hsu	1,567,000	2.06	N/A	N/A	N/A	N/A	Charles Hsu Li-Jeng Chen	Chairman and Director of the Comapany	None
MAS - GIC Private Limited	1,424,000	1.87	N/A	N/A	N/A	N/A	None	None	None

3.9 Ownership of Shares in Affiliated Enterprises

04/12/2021；Unit: Thousand shares；%

Affiliated Enterprises (Note 1)	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers (Note 2)		Total Ownership	
	Shares	%	Shares	%	Shares	%
iMQ Technology Inc.	2,057	2.71	4,374	5.77	6,431	8.48

Note 1：Investments accounted for using equity method.

Note 2：If the Director or Supervisor is a legal entity, its shares include legal entity and its representative.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

Unit: Thousand shares / NT$ thousands

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital (Amount)	Capital Increased by Assets Other than Cash (Amount)	Other
09/2000	10	40,000	400,000	30,895	308,950	Set up Capital : 308,950	Technology : 60,000	09/22/2000 Jin (089) Sun Tzu No.089134296
01/2002	10	40,000	400,000	40,000	400,000	Cash Offering : 91,050	None	01/09/2002 Jin So Sun Tzu No.09101006950
12/2003	10	60,000	600,000	46,000	460,000	Cash Offering : 60,000	None	12/11/2003 Yuan Shang Tzu No. 0920034610
11/2004	10	61,500	615,000	32,689	326,889	Capital Reduction : 203,111 Cash offering : 70,000	None	11/24/2004 Yuan Shang Tzu No.0930032426
10/2005	10	61,500	615,000	33,425	334,249	Exercise of Employee Stock : 7,360	None	10/24 /2005Yuan Shang Tzu No.0940028474
01/2006	10	61,500	615,000	33,500	334,999	Exercise of Employee Stock : 750	None	01/23/2006 Yuan Shang Tzu No.0950001176A
08/2006	10	61,500	615,000	38,357	383,565	Capitalization of Profits : 41,133 Capitalization of Employee Bonus : 7,433	None	08/01/2006Yuan Shang Tzu No.0950019826
10/2006	10	61,500	615,000	39,446	394,455	Exercise of Employee Stock : 10,890	None	10/23/2006 Yuan Shang Tzu No.0950027836
01/2007	10	61,500	615,000	39,452	394,515	Exercise of Employee Stock : 60	None	01/10/2007Yuan Shang Tzu No.0960000825
08/2007	10	61,500	615,000	44,869	448,694	Exercise of Employee Stock : 4,940 Capitalization of Profits : 41,721 Capitalization of Employee Bonus : 7,518	None	08/31/2007 Yuan Shang Tzu No.0960023515
10/2007	10	61,500	615,000	45,415	454,154	Exercise of Employee Stock : 5,460	None	10/16/2007 Yuan Shang Tzu No.0960027729
01/2008	10	61,500	615,000	45,558	455,584	Exercise of Employee Stock : 1,430	None	01/28/2008 Yuan Shang Tzu No.0970002528
04/2008	10	61,500	615,000	45,744	457,444	Exercise of Employee Stock : 1,860	None	04/29/2008 Yuan Shang Tzu No.0970011421
07/2008	10	61,500	615,000	53,497	534,974	Exercise of Employee Stock : 1,690 Capitalization of Profits : 64,050 Capitalization of Employee Bonus : 11,790	None	07/29/2008 Yuan Shang Tzu No.0970020537
11/2008	10	61,500	615,000	53,966	539,664	Exercise of Employee Stock : 4,690	None	11/06/2008 Yuan Shang Tzu No.0970031028
01/2009	10	61,500	615,000	54,116	541,164	Exercise of Employee Stock : 1,500	None	01/19/2009 Yuan Shang Tzu No.0980001857
04/2009	10	61,500	615,000	54,300	543,004	Exercise of Employee Stock : 1,840	None	04/20/2009 Yuan Shang Tzu No.0980010553
08/2009	10	80,000	800,000	60,392	603,916	Exercise of Employee Stock : 800	None	08/05/2009 Yuan Shang Tzu No.0980021773

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital (Amount)	Capital Increased by Assets Other than Cash (Amount)	Other
						Capitalization of Profits : 54,116 Capitalization of Employee Bonus : 5,995		
10/2009	10	80,000	800,000	60,427	604,266	Exercise of Employee Stock : 350	None	10/26/2009 Yuan Shang Tzu No.0980030178
02/2010	10	80,000	800,000	62,422	624,221	Exercise of Employee Stock : 19,955	None	02/11/2010 Yuan Shang Tzu No.0990004274
03/2010	10	80,000	800,000	62,452	624,521	Exercise of Employee Stock : 300	None	06/02/2010 Yuan Shang Tzu No.0990015194
08/2010	10	100,000	1,000,000	65,358	653,567	Exercise of Employee Stock : 320 Capitalization of Profits : 18,727 Capitalization of Employee Bonus : 10,000	None	08/26 /2010Yuan Shang Tzu No.0990024779
10/2010	10	100,000	1,000,000	65,378	653,777	Exercise of Employee Stock : 210	None	10/29/2010 Yuan Shang Tzu No.0990032379
01/2011	10	100,000	1,000,000	76,086	760,855	Exercise of Employee Stock : 7,078 Cash offering : 100,000	None	02/09/2011 Yuan Shang Tzu No.1000003917
01/2012	10	100,000	1,000,000	76,514	765,138	Exercise of Employee Stock : 4,283	None	01/17/2012 Yuan Shang Tzu No.1010001845
05/2012	10	100,000	1,000,000	76,706	767,058	Exercise of Employee Stock : 1,920	None	05/09/2012 Yuan Shang Tzu No.1010013550
11/2012	10	100,000	1,000,000	76,833	768,323	Exercise of Employee Stock : 1,265	None	11/06/2012 Yuan Shang Tzu No.1010034298
02/2016	10	100,000	1,000,000	75,783	757,823	Cancellation of Treasury Shares: 10,500	None	02/18/2016 Zhu Shang Tzu No. 1050004206
04/2018	10	100,000	1,000,000	75,791	757,908	Exercise of Employee Stock : 85	None	05/09/2018 Zhu Shang Tzu No. 1070013293
07/2019	10	100,000	1,000,000	75,805	758,050	Exercise of Employee Stock : 142	None	08/20/2019 Zhu Shang Tzu No. 1080023864
10/2019	10	100,000	1,000,000	75,831	758,314	Exercise of Employee Stock : 264	None	11/05/2019 Zhu Shang Tzu No. 1080032062
02/2020	10	100,000	1,000,000	75,834	758,336	Exercise of Employee Stock : 22	None	03/02/2020 Zhu Shang Tzu No. 1090005834
10/2020	10	100,000	1,000,000	76,056	760,561	Exercise of Employee Stock : 2,225	None	11/10/2020 Zhu Shang Tzu No. 1090031845
02/2021	10	100,000	1,000,000	76,073	760,726	Exercise of Employee Stock :165	None	03/10/2021 Zhu Shang Tzu No. 1100006431
Note	10	100,000	1,000,000	76,080	760,797	Exercise of Employee Stock :71	None	Note

Note：The 7,125 shares of the employee stock options executed in March and April 2021 have not been registered.

04/12/2021；Unit: Share

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Share	76,079,742 (Note)	23,920,258	100,000,000	TPEx stocks

Note：The 7,125 shares of the employee stock options executed in March and April 2021 have not been registered.

4.1.2 Status of Shareholders

04/12/2021

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	14	243	5,730	255	6,242
Shareholding (shares)	0	4,954,000	18,973,813	15,709,354	36,442,575	76,079,742
Percentage (%)	0	6.51	24.94	20.65	47.90	100

4.1.3 Shareholding Distribution Status

04/12/2021

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	4,277	99,809	0.13
1,000 ~ 5,000	1,391	2,229,253	2.93
5,001 ~ 10,000	141	1,093,684	1.44
10,001 ~ 15,000	65	831,024	1.09
15,001 ~ 20,000	55	976,007	1.28
20,001 ~ 30,000	57	1,466,907	1.93
30,001 ~ 40,000	38	1,328,373	1.75
40,001 ~ 50,000	28	1,239,876	1.63
50,001 ~ 100,000	73	5,428,946	7.14
100,001 ~ 200,000	49	7,402,209	9.73
200,001 ~ 400,000	33	9,064,000	11.91
400,001 ~ 600,000	11	5,428,684	7.14
600,001 ~ 800,000	7	4,857,000	6.38
800,001 ~ 1,000,000	3	2,603,353	3.42
1,000,001 or over	14	32,030,617	42.10
Total	6,242	76,079,742	100.00

4.1.4 List of Major Shareholders

04/12/2021

Shareholder's Name	Shareholding	
	Shares	Percentage (%)
Government of Singapore	5,196,000	6.83
SmallCap World Fund Inc.	4,314,334	5.67
Fubon Life Insurance Co., Ltd	3,914,000	5.14
Li-Jeng Chen	2,345,000	3.08
Fidelity Emerging Markets Fund	2,289,000	3.01
Swedbank Robur Globalfond	2,000,000	2.63
Swedbank Robur Technology	2,000,000	2.63
Charles Hsu	1,629,407	2.14
Allianz Global Investors Taiwan Technology Fund	1,581,000	2.08
eMemory Technology Inc.	1,567,000	2.06
MAS - GIC Private Limited	1,424,000	1.87

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT$ / Thousand shares

Item \ Year			2019	2020	2021 (As of April 12) (Note 4)
Market Price per Share (Note 1)	Highest Market Price		410.0	743.0	935.0
	Lowest Market Price		241.0	159.5	597.0
	Average Market Price		334.76	491.63	768.27
Net Worth per Share (Note 2)	Before Distribution		22.92	26.80	30.81
	After Distribution		15.92	(Note 2)	N/A
Earnings per Share	Weighted Average Shares		74,247	74,372	74,503
	Earnings Per Share		7.30	9.52	3.93
Dividends per Share (Note 3)	Cash Dividends		7.0	(Note 3)	N/A
	Stock Dividends	Dividends from Retained Earnings	-	(Note 3)	N/A
		Dividends from Capital Surplus	-	(Note 3)	N/A
	Accumulated Undistributed Dividends		-	(Note 3)	N/A
Return on Investment	Price / Earnings Ratio (Note 5)		46.23	47.04	N/A
	Price / Dividend Ratio (Note 6)		48.21	49.75	N/A
	Cash Dividend Yield Rate (Note 7)		2.07%	2.01%	N/A

Note 1: Market price per share is based on the information posted on the official website of TPEx.

Note 2: Information on 2019 is based on the resolution of the Shareholders' Meeting in 2020; the distribution of profits for 2020 is still pending on the final resolution of the Shareholders' Meeting in 2021.

Note 3: Cash dividend paid by eMemory for 2020 is NT$9 per share (dividend from the retained earnings amounted to NT$7.5 and from capital Surplus amounted to NT$1.5). This proposal is pending on the final resolution of the Shareholders' Meeting in 2021.

Note 4: The net worth and earnings per share in this column are the information on the reviewed consolidated financial statements for the first quarter of 2021.

Note 5: Price / Earnings Ratio = Average Closing Price per Share in current year / Earnings per Share.

Note 6: Price / Dividend Ratio = Average Closing Price per Share in current year / Cash Dividends per Share.

Note 7: Cash Dividend Yield = Cash Dividends per Share / Average Closing Price per Share in current year.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

If there is any profit in an annual general financial statement of the Company, such profit shall be distributed in the following orders:

1. Reserve for tax payments.
2. Offset accumulated losses, if any.
3. Legal reserve, which is 10% of remaining net profits after deducting the aforementioned items. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock.
4. Allocation or reverse of special reserves as required by law or government authorities.
5. The remaining net profits and retained earnings from previous years will be allocated as shareholders' dividend. The Board will prepare a distribution proposal and submit it to the Shareholders' Meeting for review and approval by a resolution.

Since the Company is in an industry in a growth phase, the dividend policy shall take into consideration factors such as the Company's current and future investment and capital needs, and capital budgeting plans. The proposal should strike a balance between the shareholders' benefits and the Company's long-term financial plans. Dividends to shareholders shall not be less than 50% of the remaining retained earnings available for distribution and may be distributed in cash or in stock. Cash dividends shall not be lower than 10% of total dividends to shareholders. Each year the Board shall prepare a profit distribution proposal and present it at the Shareholders' Meeting for approval.

B. Proposed Distribution of Dividend

The proposal for 2020 profit distribution was resolved by the Board dated February 24, 2021; pending on the final resolution of the Shareholders' Meeting scheduled on June 10, 2021 with authorization to the Chairman for setting the ex-dividend day.

eMemory Technology Inc.

Statement of Profit Distribution

2020

Unit: NT$

Item	Amount	
	Subtotal	Total
Beginning Balance of Unappropriated Retained Earnings		**$ 79,487,623**
Net Profit of 2020	707,999,372	
Remeasurement of Defined Benefit Plans Counted in Retained Earnings	(478,213)	707,521,159
10% Legal Reserve Appropriated		(70,752,116)
Special Reserve Reversed		5,485,024
Retained Earnings Available for Distribution		**721,741,690**
Distribution of Shareholder Dividends - Cash (NT$ 7.5 per share)		**(558,792,128)**
Ending Balance of Unappropriated Retained Earnings		**$162,949,562**

Chairman: Charles Hsu President: Rick Shen Accounting Officer: Teresa Kuo

Remarks: 1. According to the Rule No.871941343 issued by the Ministry of Finance on April 30, 1998, when distributing earnings, it shall be identified respectively; the earnings distributed in this year shall be those of the latest year.

2. The shareholder cash dividends is in a total amount of NT$ 558,792,128, to be distributed by NT$ 7.5 per share, this is calculated by basing on the issued 74,505,617 outstanding shares up to February 23, 2021, and rounded down to the nearest whole number, the fractional balance less than NT$ 1 shall be summed up and recognized as other income of the Company.

C. Anticipation of Future Change in Dividend Policy: None.

4.1.7 Impact to 2020 Business Performance and EPS Resulting from Stock Dividend Distribution: Not applicable.

4.1.8 Compensation of Employees, Directors and Supervisors

A. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

If there is any pre-tax profit, 1% to 25% of the profit shall be distributed to eligible employees in the form of cash or stock for profit sharing. No higher than 2% of the profit shall be distributed to directors for compensation.

B. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period

In case of variation between the amount resolved by the resolution of the Shareholders' Meeting and the estimation in the financial statements, the difference is recognized as a change in accounting estimate and recognized as income or loss in current period.

C. Distribution of Compensation Approved in the Board of Directors Meeting

(1) Employee compensation sharing, stock dividend, and remuneration to the directors and the supervisors in the year of recognition varied with the estimation, disclose the differences, specify the cause, and the settlement of the problem:

a. The employees' compensation and the remuneration of Directors of 2020 had been resolved by the Board of Directors on February 24, 2021, the distribution of mentioned compensation and remuneration is set forth below:
① The distribution of employees' compensation is in an amount of NT$ 149,451,920.
② The distribution of remuneration of Directors is in an amount of NT$ 14,945,192.

b. There is no difference between the distributed amounts mentioned above and the assessed amounts of employees' compensation and remuneration of Directors.

(2) The amount of employee stock compensation planned to be released in proportion to the net income of the individual financial statements of The Company and to total employee compensation: Not applicable.

D. Information of 2019 Distribution of Compensation of Employees, Directors and Supervisors (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated

Unit: Thousand shares / NT$ thousands

Item	Amount for Distribution Resolved by the Board of Directors	Estimation in the Year of Recognition	Difference	Shares (1,000 shares)	Share Price (NT$)	Note to the Difference
Employees' Compensation	113,746	113,746	-	-	-	N/A
Remuneration of Directors	11,374	11,374	-	-	-	N/A

4.1.9 Status of Repurchase of Shares

A. Having been completely excuted

04/12/2021

Number of times	Third time
Purpose	Transferring the shares to employees
Actual period of the repurchase	September 14, 2018 ~ October 31, 2018
Estimated price range for repurchase	NT$ 177.8~ NT$ 400
Average repurchased price per share (NT$)	NT$ 257.97
The amount of actually repurchased shares (shares)	Common Share 1,567,000 shares
The total amount of actually repurchased shares (NT$)	NT$ 404,237,872
The ratio of the quantity repurchased to the planned repurchase quantity（%）	62.68%
Shares deregistered and transferred (shares)	0
Cumulative holding (shares)	1,567,000 shares
Cumulated holding as a percentage of total issued shares (%)	2.06%

B. Still in the process of execution: None.

4.2 Bonds Status of Corporate Bonds, Preferred Stocks, Global Depository Receipts (GDRs): Not applicable.

4.3 Status of Employee Stock Options

4.3.1 Issuance of Employee Stock Options

04/12/2021；Unit: Thousand shares / NT$ thousands

Type of Stock Option	First Stock Option of 2016 (Issuance on 02/23/2016)
Approval Date	12/30/2015
Issue Date	02/23/2016
Units Issued	500
Percentage of Shares Exercisable to Outstanding Common Shares	0.66%
Option Duration	10 years (to 02/22/2026)
Source of Option Shares	New Common Share
Vesting Schedule	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%
Shares Exercised	297.5
Value of Shares Exercised	95,250
Shares Unexercised	173.75 (Note)
Adjusted Exercise Price Per Share (NT$)	318.4
Percentage of Shares Unexercised to Outstanding Common Shares	0.23%
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited

Note：The shares had been deducted due to employee turnover.

4.3.2 List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options

04/12/2021

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares Issued
Executive officers	President	Rick Shen	148,500	0.20%	-	-	-	-	148,500	318.4	47,282	0.20%
	Senior Vice President	Chris Lu										
	Senior Vice President and Chief of Technology Officer	Ching-Yuan Lin										
	Senior Vice President	Michael Ho										
	Vice President	Anita Chang										
	Vice President	John Ho										
	Vice President	Evans Yang										
	Accounting and Financial Officer	Teresa Kuo										
Employees	Department Manager	Shih-Chen Wang	101,000	0.13%	98,500	318.4	31,492	0.13%	2,500	318.4	796	0.00%
	Staff Project Manager	Hung-Hsiang Wang										
	Senior Director	Chun-Hung Lin										
	Deputy Director	Chun-Fu Lin										
	Director	Shih-Yun Lin										
	Senior Director	Wein-Town Sun										
	Director	Hsin-Kun Hsu										
	Senior Director	Hsin-Ming Chen										
	Staff Project Manager	Shih-Chan Huang										
	Senior Director	Tsung-Mu Lai										
	Department Manager	Ming-Shan Lo										

4.4 Status of New Restricted Employee Shares：Not applicable.

4.5 Status of New Share Issuance in Connection with Mergers and Acquisitions：Not applicable.

4.6 Financing Plans and Implementation：Not applicable.

V. Business Overview

5.1 Business Activities

5.1.1 Scope of business

A. Main business activities

① CC01080 Electronic Parts and Components Manufacturing
② I501010 Product Designing
③ F601010 Intellectual Property (IP)
④ CC01050 Data Storage and Processing Equipment Manufacturing
⑤ Research, development, manufacture and sales of the following products:

a. Flash Memory Integrated Circuits (IC)
b. Embedded flash memory IC IP (Embedded Non-Volatile Memory)
  i. Embedded One-Time Programmable Memory SIP
  ii. Embedded Flash Memory SIP
  iii. Embedded Multi-Time Programmable Memory SIP
c. Memory card output/input controllers
d. Memory card and digital film related products

B. Revenue composition

Unit : NT$ thousands

Revenue Streams	2019		2020	
	Net Revenue	Revenue Contribution	Net Revenue	Revenue Contribution
Licensing	430,263	30.5%	490,105	27.6%
Royalty	979,822	69.5%	1,286,548	72.4%
Total	1,410,085	100%	1,776,653	100%

C. Products and services as of now

Founded in September 2000, eMemory is a Silicon Intellectual Property (SIP) design company owning over 800 patents. eMemory is dedicated to the technology development and applications of embedded non-volatile memories.

eMemory focuses on technology innovation, namely the creation of new embedded non-volatile memories within existing process platforms (e.g. Logic, Radio-Frequency, High Voltage, and BCD processes). Unlike other companies that introduce new materials/processes or adopt unstable device operation modes for their non-volatile memory technology, eMemory technology platforms are already available in world-wide foundries with our versatile offerings able to meet the different needs of IC design houses. This ensures shorter product development time and prevents process incompatibility issue.

SIP contends intellectual property. Users (customers) are licensed for use with the rights to manufacture or design products, while the property right is still possessed by the inventor.

Users will be charged when using the SIP for product design or production. eMemory collects License fee, Usage fee, or Non-Recurring Engineering (NRE), Royalty, or a combination of the above. Descriptions of the fees are as follows:

① License Fee

eMemory's main licensing customers are semiconductor foundries. Due to patent entry barrier or expertise in mass production, customers must rely on eMemory's technology and IP solutions. License fee generally refers to the fee charged according to individual process platform (e.g. 0.5um，0.35um，0.25um，0.18um，65nm，40nm，28nm, 16nm, 10nm, 7nm, 5nm and so on).

② Usage Fee

Usage fee is applicable to customers who adopt available macro. Customers are subject to a fee for each usage. In other words, if a customer uses the same macro on 3 different products, the customer shall pay the usage fee for 3 times.

③ NRE

This is the fee for the development of customized macro.

④ Royalty

In general, this is the fee charged according to a certain ratio of the wafer or product price.

D. New product development plan

eMemory focuses on the design and development of embedded NVM technologies. Our proprietary SIP technologies include OTP, MTP and PUF have all been deployed on various process platforms in key foundries. These technologies have also been introduced to different production processes in leading foundries for mass production. New development plans will further push our core technologies towards advanced nodes, ranging from 12 nm down to 3nm logic process technologies. To respond to TSMC's "more-than-Moore" strategy, eMemory will expand value-added solutions onto matured process platforms by deploying IP into high-voltage, MEMS, BCD, CIS, analog, and SOI processes to meet the needs of one-stop shopping SIP solutions. In addition, eMemory also actively invests in research efforts for the development of emerging memory on 40nm process platforms and below to expand the new generation of memory silicon intellectual property. The development plans are as follows:

① Increase process platform coverage.

② Expand the product applications from existing customers (of NeoBit) by deploying NeoFuse, NeoPUF, NeoEE, and NeoMTP for new markets.

③ Expedite the development progress of new technologies for NeoFuse, NeoPUF, and NeoMTP.

④ Collaborate with partners on the development of ReRAM and MRAM technologies.

5.1.2 Industry overview

A. Current status and future development of the industry

(1) SIP industry background

IP (Intellectual Property) refers to intangible asset recognized and protected by law. Without permission from IP owners, no replication or use is allowed. Silicon Intellectual

Property (hereinafter, “SIP”) is a function block, consisting of IPs and know-hows, which has been initially defined and qualified for repetitive usage.

SIP cell is a pre-designed and qualified macro. With adjustable parameters, these cells can be tailor-made per customer requirements or product specifications. IC designers use these SIP cells to realize a part of the design functions without redesigning this function block. To get a head start, the use of SIP substantially brings down development timeline thereby accelerates the time to market.

SIP was originated after the mid-1990s. Nowadays, consumer electronics products are getting lighter, slimmer, and smaller. A System-on-a Chip (SoC) utilizing SIP blocks can greatly reduce the time for product qualification and integration; hence product developers can focus their efforts on verifying few new functions. This in turn minimizes the required engineering efforts that are needed to meet the customer adjustment requests. Therefore, product developers can concentrate on product core competencies while being agile enough to respond to unpredictable market demands.

High complexity and short development time in IC industry highlight the importance of IC design productivity. It is foreseen that the number of transistors in a semiconductor chip will increase year-over-year. Through purchasing or licensing SIP cells, it gains a greatly competitive advantage. It not only reduces IC designers’ burden but also greatly shorten product development time, as well as increase products’ competitive advantages in time-to-market. As such, the inevitable trend is to design the System-on-a Chip by using SIP cells.

(2) Industry outlook

According to the reviews from IEK, in 2020, the production value generated by the worldwide semiconductor industry amounted to nearly US$440 billion, indicating a 6.8% growth compared to 2019. eMemory has a 26% growth in 2020, exceeding that of the worldwide semiconductor industry.

eMemory has focused on the SIP business and became a pure SIP vendor since 2013. By then all revenue with 100% gross margin were from royalty and upfront fees (including license fee and technical service fee). Due to the continuous improvement of internal operation logistics and global business development, the revenue from upfront fees and royalties continue to grow year-over-year. Moreover, compared to 2019, NTO number in 2020 grew by 17.8% and our market share increased substantially.

Right in the information age, demand for SIP will grow further along with the IC design industry market size. The innovative SIP licensing business model leads IP vendors towards niche markets as it doesn’t involve production but creates a good value of technology licensing with license fee and royalty in return. Having advantages of low operation cost and high gross margin, IP industry is superior to other entities in the semiconductor industry value chain.

The development of SoCs created a structural change in IC design industry. Soon afterwards, when the benefits of reusable SIP cells were understood, it contributed to even higher growth in the SoC development. Currently, with many of the global leading foundries (with advanced process and high production capacity) and numerous IC design houses all located in Asia, there is unlimited business potential for SIP providers who are also in Asia.

B. IC industry supply chain in Taiwan

Group	Roles	Products	Major Players
Upstream	SIP Development, Design Service and IC Design	SIP cells, Circuitry Product	eMemory, MTK, Novatek, GUC
Midstream	Mask & Wafer Production	Wafer	TSMC, UMC, VIS
Downstream	Package & Testing	Backend services for IC package and test	ASE, SPIL, KYEC

SIP is among the top in the upstream of IC industry and facilitates the overall productivity in IC design and manufacturing.

C. Megatrend in IC industry

(1) Reusable SIP

Product delivery timeline is a major indicator of competitiveness. As the industry is inclined toward specialization, the use of SIP cells will be the key to success.

(2) Qualified and reliable SIP

Expense on product development is heavy due to the complexity and uncertain product specifications in a SoC design. In the advanced process nodes, using non-qualified SIP equals risk. Therefore, the adoption of qualified SIP from a third party will greatly reduce production risks; among which foundries are the most objective and convincing. SIP qualified by multiple foundry companies not only indicates the production flexibility of fab-to-fab porting but also demonstrates the wide availability in various process platforms.

(3) Continuous deployment in advanced process nodes

From 55nm down to 3nm, logic NVM SIPs in logic or high performance computing (HPC) process platforms are frequently deployed into memory repair, security setting, feature selection, chip identification, analog trimming, Digital Rights Management (DRM) and code storage. These are used in application processors, FPGA, AI accelerators, multi-media, SSD drive, network processors and commodity DRAMs.

In the age of IoT, smartphones, autotronics and bioelectronics where data security is at the utmost, this category will play a key role. Logic NVM provides the storage capability of analog trimming, security as well as chip identification for display driver IC, power management IC and sensor controller.

As for high density (1~4M Bytes) requirements, Logic NVM SIP is embedded for code storage to supersede ROM and reaches a high level of integration as well as meeting the needs of security. They are widely applied in wireless applications including Wi-Fi, Bluetooth, and smartphones.

(4) High security SIP

eMemory has been devoted to the research and development of innovative PUF technology. With the advantages of OTP's implementation in a wide range of platforms, the stable and excellent NeoPUF technology, after integrating with security functions, is widely used in IoT, AI, 5G and other applications. eMemory also collaborates with PUFsecurity, eMemory's subsidiary, and other world-class security solution companies to provide NeoPUF-based security functions. These solutions utilize PUF's random and unique properties, which is applied to the secret key, identification and other advanced security applications.

D. Competition

From the perspectives of Logic NVM SIP which eMemory specializes in, the other competitors in Taiwan are still utilizing old technology and struggle to achieve technical stability. On the other hand, two of the foreign main competitors have just been acquired, thus the result of acquisition is not yet clear. From the perspective of design services, except for Andes and M31 that offers other SIP licensing, the remaining, such as Global Unichip Corp., Faraday Technology Inc. and Alchip, concentrate on providing ASIC services as well as turnkey services with foundry strategic alliances. Therefore, those design service companies will derive less of their revenue from license fees and royalties, as compared to eMemory.

E. Key performance indicators (KPI)

Quantity of new tape outs (NTO) with eMemory IP					
2019			2020		
Target	Actual	Completion Rate	Target	Actual	Completion Rate
420	422	100%	450	497	110%

5.1.3 Short and long term business development plan

eMemory continuously increases market share through innovation, wide product applications and strategic partnerships worldwide. eMemory keeps playing a leading role as a SIP provider in embedded memory technology.

A. Short-term

(1) Marketing plan

a. Expand NeoBit, NeoFuse, NeoPUF, NeoEE, and NeoMTP's popularity through existing sales channels.
b. Collaborate with major companies in Europe, America, and Japan to develop local markets.
c. Develop product applications of emerging memory technology which is co-developed with technology partners.

d. Focus on the establishment of groundwork and expertise of SIP products and to optimize investment and return.
e. Provide customers with more comprehensive SIP platforms across worldwide foundries.
f. Increase the revenue contribution from NeoFuse, NeoPUF, NeoEE, and NeoMTP SIP.
g. Enhance on-time delivery to meet customer's needs.
h. Introduce existing technologies and SIP to new application segments.
i. Leverage distribution channels of partner foundries to enhance product promotion.
j. Utilize social media to gain exposure, popularity and technical expertise through publishing newsletters of new technology, application, and platform along with whitepapers.
k. Improve online system to maximize the bandwidth in serving customers 24/7.

(2) Financial plan

Make use of a robust business model to maintain a sound financial structure and optimized working capital.

B. Long-term

(1) Marketing plan

a. Establish technical service and sales local offices worldwide to boost regional sales, reputation, and market share.
b. Establish a one-stop shopping SIP platform to provide customers with comprehensive SIP choices and services.
c. Continue developing emerging technologies, new products, applications, strategic partnerships, and markets.
d. Collaborate with worldwide foundries through strategic alliances to establish new technology and manufacturing platform and strengthen competitiveness.
e. Uplift adoption rate in advanced process nodes and develop new applications targeting products with higher ASP to enhance royalty income.
f. Develop high value-added and reliable logic NVM SIP, including industrial, automotive and security applications.
g. eMemory collaborates with PUFsecurity, eMemory's subsidiary, and other world-class security solution companies to provide NeoPUF-based security solutions which utilize PUF's random and unique properties applied in the secret key, identification and other advance security functions for IoT, AI and 5G applications.

(2) Financial plan

Make use of diverse fundraising and financial initiatives to form a sound financial structure.

5.2 Technology and R&D Outlook

5. 2.1 R&D expense in previous year to the date this report was printed

Unit : NT$ thousands

	2020	2021 (As of March 31)
R&D Expense(A)	602,718	165,995
Net Revenue (B)	1,776,653	596,734
(A)/(B)	33.9%	27.8%

5.2.2 Technology or product successfully developed in previous year to the date this report was printed

Technology or product The Company successfully developed in previous year to the date this report was printed is as the following:

Date	Item
2020 to April 12, 2021	1. NeoBit (1) NeoBit in 0.13um BCD process successfully passed the second phase of the silicon verification of the highest standard ISO26262 ASIL-D safety certification. (2) In response to the mass quantity demand of PMIC IC, the 0.153um BCD process OTP had successfully transferred to multiple foundries. 2. NeoFuse (1) 5nm OTP and PUF IP complete the design sign-off and mask tape-out. (2) 7nm OTP automotive specification IP has been successfully introduced to the first customer’s automotive products. (3) Complete the functional characterization of 6nm OTP. (4) 20nm DRAM process complete the design sign-off and mask tape-out. (5) 22nm HV process has verified basic OTP functions. (6) 28nm FD-SOI process OTP complete full qualification with automotive specifications. (7) 55nm BCD process has completed the qualification in 1st foundry, and is now expanding to more foundries. 3. NeoPUF (1) 7nm NeoPUF has completed qualification and won the first customer adoption in FPGA product. (2) Through cooperation with PUFsecurity Corporation, with NeoPUF as the core, PUFrt and PUFiot modules have been developed and also adopted by many customers in 40nm and 28nm processes. 4. NeoEE (1) 0.11um BCD process has completed the functional characterization of AEC-Q100 Grade 0.

Date	Item
	5. NeoMTP (1) Completed the development of a 55nm four-bit/cell analog low-power NeoMTP memory IP and completed characterization verification. It will be applied to artificial intelligence (AI) chips for fingerprint recognition. (2) Completed the new NeoMTP design platform, which adopts smaller memory cells, new sensing circuit, charge pump and layout method. Completed function verification in the 90nm BCD process with IP size reduction by 20%~30%. 6. ReRAM (1) Completed the functional verification of 40nm ReRAM for eFlash-replacement or external Flash-replacement in high-end MCU application. (2) Functional verification of 22nm ReRAM is on-going for eFlash-replacement or external Flash-replacement in high-end MCU application. 7. MRAM (1) 22nm e-MRAM testchip design has been finished in 2021Q1 for high-end MCU application.

5.3 Market Outlook and Production and Sales Overview

5.3.1 Market analysis

A.Main geographic regions for sales of products (services)

Unit : NT$ thousands

Geographic Regions	2019	2020
Domestic	805,649	1,040,843
Asia	526,737	662,426
Others	77,699	73,384
Total	1,410,085	1,776,653

B. Market share

According to the statistics compiled by IEK, the production value of Taiwan's IC design industry in 2020 amounted to $ 852.9 billion NT. In 2020, eMemory's revenue was $ 1,776,653 thousand NT, which was 0.2% of the total market production value. With the introduction of newly developed technologies of NeoEE, NeoFuse, and NeoMTP and NeoPUF, the full product IP technologies portfolio is in place. The Company can provide customers diverse technical services which will benefit operational performance. With steady growth in business operation and increasing number of customers and new product adaptations, the revenue generates from technical service and licensing fee will continue to grow. Likewise, revenue from royalty will also increase, and market share of eNVM SIP will surge.

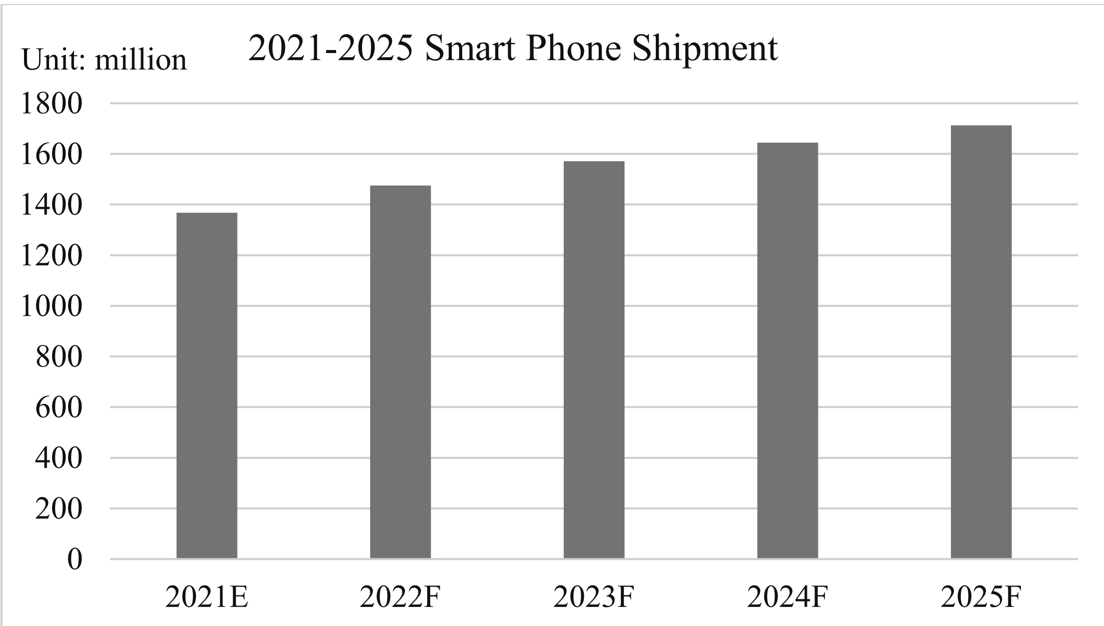
C. Market supply/demand and growth in the future

(1) Future market supply and demand

SIP is increasingly important as global IC providers' demand in advanced process ndoe raise. The main market applications include mobile communication, consumer electronics, industrial electronics, and autotronics. eMemory has researched and developed a series of eNVM and hareware security technologies used for micro controllers ICs, LCD panel control ICs, LCD screen driver ICs, PMICs, Image Signal Processor (ISP), high frequency signal ICs, short-range communication ICs, Bluetooth ICs, oscillator controller ICs, MP3 control ICs, battery power management ICs, voice ICs, TWS ICs, WiFi ICs, AI chip, DRAM chip and autotronic ICs.

From the company's perspective, the market supply and demand suggested the rapid growth of portable devices in recent years increased the number of IC contained in the products, including CPUs, panel driver ICs, panel controller ICs, PMICs, touch panel ICs, communication ICs, and base band ICs. Furthermore, the fast growth new application markets, such as fingerprint ICs, portable DRAM, CMOS image sensors, Image Signal Processor (ISP), and TDDI, will also contribute to the revenue.

According to the market information, the shipment volume of smart phones decreased to less than 1.2 billion units in 2020 due to the COVID-19 impact. However, smart phonesstill has the highest demend in the consumer electronic field. Mobile devices is going to grow due to the continuous launch of innovative high-end products and the momentum comes from demand for mid to low-end products at the emerging markets. Besides, new applications in AR/VR and autoronic's will also drive the total production value to grow.



Source: Digitimes, eMemory, 2021/3

(2) Market growth potentials

As the integration of SoC increases, the demand for light-weighted compact products become the mainstream of IC technology development. Factors including increasing proportion of design outsourcing, raising cost of new process mask and technology development, and the IC complexity which lead to longer cycle time, all of which have made SIP become the key to accelerate SoC development. The complex SoC design and production process resulted in increasing division of labor in the semiconductor industry. The use of SIP for SoC design reduces designers' burdens and the development time substantially. This is critical for enhancing competitive advantage in terms of time-to-market; as the result, SoC becomes increasingly dependent on SIP.

The rapid development of semiconductor production node and the increasing demand for compact, slim, and light-weighted products which require a greater variety of functions has led the IC design to the integration of multi-functionality and embedded design including application processor IC, stacked CMOS image sensor, fingerprint sensor, autoronic image system. As such, the raising era of communication, home appliance, and personal service communication, the scale of the IC design market continues to expand. The destructive innovation eNVM SIP from eMemory transcend traditional logic process into the eNVM logic process, which makes SoC circuit design simple and easy to accomplish, while reducing SoC development and manufacturing cost, and achieve higher performance efficiency to meet the requirement of IoT and autotronics. We not only build the floating gate structure on mature manufacturing platform but also introduce the NeoFuse and NeoPUF on advanced node platforms (7nm~65nm). This provides our clients product development and testification under multiple platform, increasing flexibility for the production and enhancing the competitiveness of the business. As such, the promising future of silicon intellectual device is foreseen.

D. Competitive advantages

(1) Rich eNVM technologies portfolio

eMemory has dedicated its resources in the research and development of eNVM since its establishment, focusing on the application of NeoBit, NeoFuse,, NeoEE, and NeoMTP technologies. These technologies were successfully adopted by leading foundries for mass production in 0.5 um to 12 nm process nodes. Furthermore, our technologies expanded to 7nm, 6nm, 5nm advance nodes, fulfilling customers' different needs. The eNVM technology is applicable to all kinds of CMOS process (including logic, analog, M-M, HV, SiGe, CIS, EEPROM, and DRAM, etc) with wide applications, allowing customers to directly apply into their design without modifying components characters of customers' products to shorten the development time. For example, it takes 2~3 years to introduce eNVM (e.g., embedded flash or EERROM) technology in 0.13um and 90nm process platform. It may take even longer for 55nm and 40nm process. Yet it takes only 6 to 9 months for porting NeoBit, NeoEE, NeoFuse, or NeoMTP technology to each process node.

(2) eNVM IP technology features one-time/multiple-times programmable function; allowing higher flexibility of production and sales for customers

In general, program code mask must be introduced in ROM device manufacturing process. In other words, program code is already added in the production process that there is no flexibility for product program code adjustment later on. In addition, program codes of different versions also pose problems for mask and inventory management.

NeoBit, NeoFuse, NeoPUF, NeoEE, and NeoMTP eNVM can be directly added to the memory device in the logic device manufacturing process. The product itself features one-time/multiple-times (OTP/MTP) programmable function. Therefore, special application providers can write in the program code before delivery to specific customers, or provide the code for the customers so that they could update the program code or data. These features provide IC providers greater production and sales flexibility, bringing the advantage of greater variety in small quantity and fast delivery.

(3) eMemory has been devoted to the research and development of Physical Unclonable Function (PUF) technology

With the advantages of OTP's implementation in a wide range of platforms, the stable and excellent NeoPUF technology will be widely extended to new filed. eMemory collaborates created PUFsecurity, eMemory's subsidiary, to launch a series of PUF-based hardware security solutions (PUFrt, PUFiot, PUFflash, PUFse etc) by using NeoPUF. These solutions are high-security, high-performance, easy-to-use, low-cost solution for chip security and be expected to be used in IoT, AI and 5G applictions to achieve the goal of secure operation, secure computing, and secure storage.

(4) Strong research and development team

The Company has oriented towards the research and development of its own technologies since its establishment. The Chairman of eMemory, Dr. Charles Hsu, is a member of world-renowned NVM Committee. Former Director of the Institute of Electronics Engineering at National Tsing-Hua University, Dr. Hsu first propose the P-type tunneling flash memory in 1992, and has been awarded the "Outstanding Research Award" by National Science Commission in 1997 and 1999.

Chairman Hsu leads a research and development team with outstanding professionals and rich work experience, and has acquired more than 800 patents around the world. The patented technology of eNVM developed by this team has won the gold medal of "2005 National Invention and Creation Award" in October 2005, the Innovative Enterprise Award of the "Industrial Technology Advancement Award" by Ministry of Economic Affairs in October 2008, the "2008 National Invention and Creation Award" by Intellectual Property Bureau of Ministry of Economic Affairs, the "Excellent Manufacturers Innovation Product Award and R&D Achievement Award" by Hsinchu Science Park Bureau of Ministry Science and Technology in December 2017, the Excellence in Innovation First Prize of the"National Industry Innovation Award" by Ministry of Economic Affairs in April 2019, and Security technology NeoPUF won the "National Invention and Creation Gold Medal Award" in October 2020 .

The Company is dedicated to the development of advanced technologies and makes ceaseless effort in the training and recruitment of talents. By providing full-range design resources and reliable technical supports, The Company makes the products of its customers highly competitive.

(5) Outstanding management team

Most of the management team members came from renowned companies, who have rich experience in business operation and are specialized in research and development, business, and operation management. With the same believe, the team leads the company towards substantial growth.

(6) Strong partnership with leading foundries

Our collaborative foundries are all worldwide leading foundries with the best process technology, yield rate, and delivery. Our eNVM technology, IP licensing, manufacturing technology, and design service has passed strict qualification and successfully assisted foundries to launch mass production. From 2010 to 2020, eMemory was recognized as the Best IP Partner by TSMC for 11 consecutive years, and received the best SMIC IP Partner Award from 2013 to 2016. In addition, the company has also been highly-recognized byother worldwide foundries. Looking towards the future, the strategic alliance with foundries will bring growth momentum and further expanded the market share.

(7) Zero-inventory contributed to the capital flexibility

The sole business of the company is eNVM and hardware security IP licensing with zero-inventory. The company is not a manufacturer. Without factories, machinery, and equipment and other sizable capital expenditures, eMemory can use the working capital with high flexibility.

(8) Full-range and efficient service quality

eMemory has established a customer technical service system. With well-developed process management mechanism, eMemory can provide customers the timely and accurate delivery of technical documents. Unlike other foreign SIP suppliers, when the SIP supplied is not compatible with customers' products, it is the customers who is responsible for seeking for solutions. eMemory encourages customers to embed NVM IP on process platforms to reduce the difficulty of technology integration. In addition, eMemory security IP derivative from the embedded IP technology is completely compatible to enhance the competitiveness of customer's products. Therefore, eMemory can offer comprehensive and good solutions to the customers as they face challenges.

E. Favorable and unfavorable factors for corporate development and the responding measures

(1) Favorable factors

a. Specialization of the semiconductor industry

The close relation of the upper- and lower-stream of the industry is beneficial to the formation of the supply chain.

With more than 30 years of experience, the semiconductor industry in Taiwan has a complete semiconductor industry chain.

The prosperity of Taiwan IC design industry also stimulates the growth in SIP industry. Leading foundries include TSMC, UMC,VIS, and PSMC can provide the platform for SIP qualification. The reliability and the complete SIP portfolio provide customers a solid product foundation. Therefore, the cooperative relation between eMemory and the customers could be bolstered.

b. Customer advantage

eMemory is located in Asia where the majority of the world's major foundries are located. For example, IDMs are located in Japan and Kore, and IC design houses are located in Taiwan and China. In addition, eMemory has established a complete customer base and long-term support from customers over the years, with high customer engagement and great advantages for the new products adoption.

(2) Unfavorable factors and responding measures

a. Insufficient SIP design talents in Taiwan

SIP design is a typical knowledge economy, the key to success lies in the R&D ability. However, there is a scarcity of talents with profound and professional knowledge. Moreover, in order to cultivate the centripetal force for employees, it takes higher cost in human resources.

【Responding Measures】

i. The company provide external and internal education and on-the-job training for employees. Moreover, with the cooperative programs with universities, the company can also recruits students with good performance.

ii. An employee's incentive program is also introduced. Employees with excellent performance will be rewarded correspondingly.

b.The industry is promising, leading to the increasing number of competitors

SIP will be the trend of the semiconductor industry. As IC designs became increasingly complex, particularly in SoC designs, IP licensing has become an indispensable part of the operation. eMemory is the leader of eNVM and hardware security IP technology. The eNVM technology has become a critical circuit block for mainstream products, which will attract more competitors.

【Responding Measures】

i. Develop high value-added design service technology to provide rapid and accurate solutions for customers.

ii. Develop applications for new products and assist customers to enhance their products performance or competitiveness.

iii. Continue innovating and providing customers a full-range solution for eNVM and hardware security solutions.

iv. Broaden the client base and continue to develop the international market and increase the market share.

v. Continue to enhance service quality.

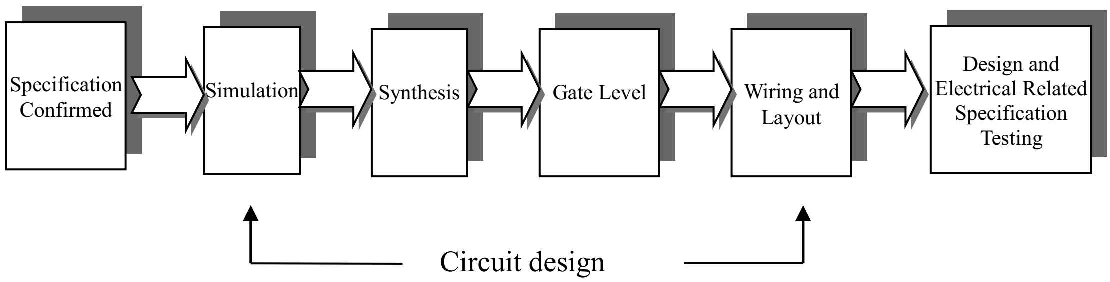
5.3.2 Main products' applications and production flows

A. Main products' applications

The main products are embedded memory and hardware security IP design service. The main applications of embedded memory include communication equipments, autotronics, home appliances, and communication and consumer electronics.

B. Main products' production flow

eMemory is an IP provider without physical products. The IP service flow chart is shown below:



5.3.3 Supply of Key Materials

eMemory is a professional SIP provider, offering production technology and design service of eNVM technology and IP licensing. The principal business is licensing and does not require supply of materials.

5.3.4 Major suppliers and clients

A. Major suppliers in the last two years

Under the adjustment of business strategy from the second half of 2011 onward, The Company decided to focus on IP production and planned to gradually reduce the proportion of income from wafer production service, and made no purchase of wafer in the last two years.

B. Major clients in the last two years

Unit: NT$ thousands

Item	2019				2020				2021 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Company A	520,026	36.9%	-	Company A	620,641	34.9%	-	Company A	185,269	31.0%	-
2	Others	890,059	63.1%		Others	1,156,012	65.1%		Others	411,465	69.0%	
	Net Sales	1,410,085	100%		Net Sales	1,776,653	100%		Net Sales	596,734	100%	

Note: The major revenue contribution from Company-A is royalty. In the past two years, the major items are the smart phone and mobile device's power management IC, display driver IC, fingerprint IC and MEMS sensor IC etc. MCU, digital TV, STB and Bluetooth ICs are also included.

5.3.5 Production in the last two years

The company is a professional company of SIP, which is not engaged in production and manufacturing; therefore, the production is not applicable.

5.3.6 Shipments and sales in the last two years

Unit: NT$ thousands

Shipments & Sales / Major Products (Year)	2019				2020			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Licensing	0	124,003	0	306,260	0	135,341	0	354,764
Royalty	0	681,646	0	298,176	0	905,502	0	381,046
Total	0	805,649	0	604,436	0	1,040,843	0	735,810

5.4 Human Resources

Year		2019	2020	2021 (As of April 12)
Number of Employees	Sales & Marketing	35	39	41
	Administration	48	56	57
	R&D	184	193	198
	Total	267	288	296
Average Age		38	39	39
Average Years of Service		7.5	7.7	7.8
Education	Ph.D.	3.8%	4.2%	4.4%
	Masters	64%	63.9%	63.5%
	Bachelor’s Degree	31.8%	31.6%	31.8%
	Senior High School	0.4%	0.3%	0.3%
	Below Senior High School	-	-	-

Note：Including the number of employees of the subsidiaries PUFsecurity Corporation and PUFsecurity USA Corporation, which were stablished in May 2019 and July 2020.

5.5 Environmental Protection Expenditure

Any losses suffered by the company in the previous year to the date this report was printed 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.

5.6 Labor-Management Relations

5.6.1 Employee benefit program, continuing learning, training, retirement system and its implementation, and the labor-management agreement and the protection measures of employees' rights

A. Employee benefit program

The "Employee Welfare Committee" of the Company had been established on September 18, 2002, and approved by the Hsinchu Science Park Bureau for reference, the funds are set aside monthly, the employee welfare activities are periodically held, the welfare programs are planned detailedly and so budgeted, including gift coupons for annual holidays, group entertainment activities, domestic and overseas travel activities, subsidies for wedding and funeral, subsides for birth, pension for hospitalization, birthday party, year-end party lottery, physical examination, labor and health insurances, group insurance(including spouse and child are insured for free), travel accident insurance for business trip, free dessert/beverage bar, subsidy for afternoon tea coupon, subsidy for parking space, subsidy for gymnastic for fit, specific nursing room, personal birthday leave, and eMemory's favorable leaves which are granted under the conditions better than the requirements of laws and regulations.

B. Employees' continuing learning and training status

(1) To orientate the rapid change of technology in the industry and ensure the development of employees' talents to achieve the joint target for the Company, that training is a major point of the management of human resource. The scope covers related trainings including employees' skill, knowledge, language, computer and management, which will improve the professional skill and knowledge of employees as well as enhancing the working attitude. The Company provides employees for the training opportunities and funds, which expects the employees would contribute what he or she had learned to improve the quality and profession of the work and create total revenue of the Company, that the personal career planning and whole benefits of the Company can be achieved jointly.

(2) Implementation of 2020 trainings

Items	Number of Courses	Total participants	Total Hours	Total Expenses
1. New Employee Training	4	30	259	0
2. Vocational Training	153	2,213	5,669	330,948
3. Supervisor Training	2	24	115	82,200
4. General Training (Including the courses of environmental safety, tool technique, etc.)	9	1,107	1,192	150,095
Total amounts	168	3,374	7,235	563,243

Note：Including the subsidiaries PUFsecurity Corporation and PUFsecurity USA Corporation.

C. Retirement system and its implementation

The Rules for Retirement Management of the Company had been established pursuant to the Labor Act and Labor Pension Act, all of the employees are covered, the affairs related to conditions of retirement, standards of payment and procedures for application are definitely provided, and the Supervisory Committee of Labor's Retirement Preparation Fund is also established according to the law, the preparation fund is deposited in the Bank of Taiwan under the title of Supervisory Committee of Labor's Retirement Preparation Fund every month; in conforming with the Labor Pension Act, from the day of July 1, 2005, the employees who originally are covered by the rules and choose to be applicable to the new Act, the seniority of such employees or the employees who is employed after the enforcement of new Act shall be applicable to the defined contribution plan, the pension payment shall be contributed by the employer by no less than 6% per month, and deposit in the individual accounts of labor pension at the Bureau.

D. Labor-management agreement

In order to build up the harmonious labor-management relations, the Company provides the grievance channels of employee forum and written application etc. which the opinions of employees can be smoothly rendered, and the President will report the current status of the Company to employees each quarter to make employees thoroughly understand the situation of the Company's operation. The labor-management relations are harmonious from the establishment of the Company up to the current date, that all relevant affairs are handled pursuant to the related provisions of laws and regulations.

E. Protection measures for the rights of employees

The excellent document control system is set up by the Company in which the management rules are recorded, and the rights, obligations and welfare of employees are definitely provided therein, the welfare are reviewed periodically and updated on the document control system from time to time to protect the rights of employees.

5.6.2 Loss deriving from labor-management dispute (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) in the last two years to the date this report was printed, disclose the amount possibly incurred for the time being and in the future, and the responding measures. If this amount cannot be reasonably estimated, specify the reasons

The labor-management relations are harmonious from the establishment of the Company up to the current date, that there is not any concern of losses caused by the labor dispute happens right now and in the future.

5.7 Major Contract

Contract	Contracting Party	Term of Agreement	Major Contents	Limitation
License Agreement	GLOBALFOUNDRIES Singapore	11/25/2002~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Renesas Technology	04/01/2003~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	TSMC	09/03/2003~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	GLOBALFOUNDRIES Singapore	01/01/2004~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Alpha Microelectronics	05/01/2004~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Vanguard	01/04/2005~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Ricoh	04/01/2005~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Powerchip	04/06/2005~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Toshiba	10/31/2005~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Silterra	04/07/2006~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	MagnaChip	09/28/2007~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Fujitsu Microelectronics	12/19/2007~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Dongbu HiTek	06/24/2008~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	UMC	05/23/2008~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Mitsumi Electronic	04/01/2009~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Mitsumi Electronic	07/07/2009~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	TI	02/01/2010~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights

Contract	Contracting Party	Term of Agreement	Major Contents	Limitation
License Agreement	HLMC	08/10/2011~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	GSMC	09/28/2011~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Mitsubishi Electric	03/29/2012~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	TSMC	06/01/2012~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Vanguard	01/01/2012~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	MagnaChip	10/12/2012~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	NXP Semiconductors	11/01/2012~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	UMC	03/01/2013~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	TSMC	03/04/2014~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	SK hynix	03/18/2014~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Powerchip	09/01/2014~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Vanguard	08/31/2015~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	GLOBALFOUNDRIES U.S.A.	09/07/2015~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	CSMC	09/11/2015~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	SMIC	01/01/2016~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	PSMC	05/06/2016~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Dongbu HiTek	05/18/2016~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights

Contract	Contracting Party	Term of Agreement	Major Contents	Limitation
License Agreement	Vanguard	07/01/2016~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Japan Semiconductor Corporation	05/09/2017~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	SHARP	07/20/2017~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	GLOBALFOUNDRIES Singapore	07/23/2017~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	HFC	10/10/2017~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	HeJian Technology	12/05/2017~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Winbond	02/21/2018~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	HHGrace	04/25/2018~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	CanSemi	07/24/2019~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	CanSemi	10/21/2019~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	SK Hynix Wuxi	07/23/2020~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Key Foundry	11/01/2020~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Consolidated Financial Summary

A. Consolidated Balance Sheet

Unit: NT$ thousands

Item \ Year		Financial Summary for The Last Five Years（Note1）					2021 (As of March 31)（Note 1）
		2016	2017	2018	2019	2020	
Current Assets		1,583,609	1,766,977	1,483,605	1,416,756	1,898,915	2,249,431
Property, Plant and Equipment		503,249	505,337	491,533	477,171	467,393	461,318
Intangible Assets		54,796	62,430	67,162	73,805	76,814	75,559
Other Assets		57,018	66,326	61,877	65,595	34,450	38,250
Total Assets		2,198,672	2,401,070	2,104,177	2,033,327	2,477,572	2,824,558
Current Liabilities	Before Distribution	254,608	316,139	349,772	305,153	448,093	495,699
	After Distribution	747,193	884,506	943,562	825,019	(Note 2)	N/A
Non-current Liabilities		19,938	19,772	20,864	26,160	23,836	25,397
Total Liabilities	Before Distribution	274,546	335,911	370,636	331,313	471,929	521,096
	After Distribution	767,131	904,278	964,426	851,179	(Note 2)	N/A
Equity Attributable to Shareholders of the Parent		1,924,126	2,065,159	1,733,541	1,702,014	1,996,271	2,295,615
Capital Stock		757,823	757,823	757,908	758,336	760,592	760,778
Capital Surplus	Before Distribution	448,025	427,496	416,537	404,446	391,907	397,656
	After Distribution	392,325	397,865	379,425	293,046	(Note 2)	N/A
Retained Earnings	Before Distribution	718,278	879,840	1,025,266	1,009,056	1,308,111	1,601,093
	After Distribution	281,393	341,104	468,588	600,590	(Note 2)	N/A
Other Equity		0	0	(61,932)	(65,586)	(60,101)	(59,674)
Treasury Stock		0	0	(404,238)	(404,238)	(404,238)	(404,238)
Non-controlling Interest		0	0	0	0	9,372	7,847
Total Equity	Before Distribution	1,924,126	2,065,159	1,733,541	1,702,014	2,005,643	2,303,462
	After Distribution	1,431,541	1,496,792	1,139,751	1,182,148	(Note 2)	N/A

Note 1：The financial information for year 2016 to 2020 has been audited by the CPAs, and the financial information for the first quarter of 2021 has been reviewed by the CPAs.
Note 2：2020 dividend distribution is pending for shareholders' approval at the Shareholders' Meeting.

B. Consolidated Statement of Comprehensive Income

Unit: NT$ thousands (Except EPS: NT$)

Item \ Year	Financial Summary for The Last Five Years（Note）					2021 (As of March 31)（Note）
	2016	2017	2018	2019	2020	
Operating Revenue	1,215,459	1,375,758	1,476,516	1,410,085	1,776,653	596,734
Gross Profit	1,215,459	1,375,758	1,476,516	1,410,085	1,776,653	596,734
Income from Operations	529,809	602,818	672,735	621,323	822,586	337,711
Non-operating Income and Expenses	78,433	76,982	26,096	11,861	8,209	6,630
Income before Tax	608,242	679,800	698,831	633,184	830,795	344,341
Income from Continuing Operations	534,917	598,709	613,106	542,072	706,845	291,434
Loss of Discontinued Operations	0	0	0	0	0	0
Net Income (Loss)	534,917	598,709	613,106	542,072	706,845	291,434
Other Comprehensive Income (Income after Tax)	(2,345)	(262)	(590)	(5,258)	5,004	428
Total Comprehensive Income	532,572	598,447	612,516	536,814	711,849	291,862
Net Income Attributable to Shareholders of the Parent	534,917	598,709	613,106	542,072	707,999	292,982
Net Income Attributable to Non-controlling Interest	0	0	0	0	(1,154)	(1,548)
Comprehensive Income Attributable to Shareholders of the Parent	532,572	598,447	612,516	536,814	713,006	293,409
Comprehensive Income Attributable to Non-controlling Interest	0	0	0	0	(1,157)	(1,547)
Earnings Per Share	7.06	7.90	8.13	7.30	9.52	3.93

Note：The financial information for year 2016 to 2020 has been audited by the CPAs, and the financial information for the first quarter of 2021 has been reviewed by the CPAs.

6.1.2 Parent Company Financial Summary

A. Parent Company Balance Sheet

Unit: NT$ thousands

Item \ Year		Financial Summary for The Last Five Years（Note1） 2016	2017	2018	2019	2020
Current Assets		1,487,245	1,766,977	1,483,605	1,388,394	1,796,991
Property, Plant and Equipment		503,249	505,337	491,533	475,318	465,056
Intangible Assets		54,796	62,430	67,162	73,584	74,477
Other Assets		148,542	66,326	61,877	93,234	127,124
Total Assets		2,193,832	2,401,070	2,104,177	2,030,530	2,463,648
Current Liabilities	Before Distribution	249,768	316,139	349,772	302,356	443,541
	After Distribution	742,353	884,506	943,562	822,222	(Note 2)
Non-current Liabilities		19,938	19,772	20,864	26,160	23,836
Total Liabilities	Before Distribution	269,706	335,911	370,636	328,516	467,377
	After Distribution	762,291	904,278	964,426	848,382	(Note 2)
Equity Attributable to Shareholders of the Parent		1,924,126	2,065,159	1,733,541	1,702,014	1,996,271
Capital Stock		757,823	757,823	757,908	758,336	760,592
Capital Surplus	Before Distribution	448,025	427,496	416,537	404,446	391,907
	After Distribution	392,325	397,865	379,425	293,046	(Note 2)
Retained Earnings	Before Distribution	718,278	879,840	1,025,266	1,009,056	1,308,111
	After Distribution	281,393	341,104	468,588	600,590	(Note 2)
Other Equity		0	0	(61,932)	(65,586)	(60,101)
Treasury Stock		0	0	(404,238)	(404,238)	(404,238)
Non-controlling Interest		0	0	0	0	0
Total Equity	Before Distribution	1,924,126	2,065,159	1,733,541	1,702,014	1,996,271
	After Distribution	1,431,541	1,496,792	1,139,751	1,182,148	(Note 2)

Note 1：The financial information for year 2016 to 2020 has been audited by the CPAs.

Note 2：2020 dividend distribution is pending for shareholders' approval at the Shareholders' Meeting.

B. Parent Company Statement of Comprehensive Income

Unit: NT$ thousands (Except EPS: NT$)

Item \ Year	Financial Summary for The Last Five Years（Note）				
	2016	2017	2018	2019	2020
Operating Revenue	1,215,459	1,375,758	1,476,516	1,409,329	1,771,831
Gross Profit	1,215,459	1,375,758	1,476,516	1,409,329	1,771831
Income from Operations	532,564	604,254	672,735	643,842	881,816
Non-operating Income and Expenses	71,392	72,060	26,096	(10,658)	(49,867)
Income before Tax	603,956	676,314	698,831	633,184	831,949
Income from Continuing Operations	534,917	598,709	613,106	542,072	707,999
Loss of Discontinued Operations	0	0	0	0	0
Net Income (Loss)	534,917	598,709	613,106	542,072	707,999
Other Comprehensive Income (Income after Tax)	(2,345)	(262)	(590)	(5,258)	5,007
Total Comprehensive Income	532,572	598,447	612,516	536,814	713,006
Net Income Attributable to Shareholders of the Parent	534,917	598,709	613,106	542,072	707,999
Net Income Attributable to Non-controlling Interest	0	0	0	0	0
Comprehensive Income Attributable to Shareholders of the Parent	532,572	598,447	612,516	536,814	713,006
Comprehensive Income Attributable to Non-controlling Interest	0	0	0	0	0
Earnings Per Share	7.06	7.90	8.13	7.30	9.52

Note：The financial information for year 2016 to 2020 has been audited by the CPAs.

6.1.3 Auditors' Opinions from 2016 to 2020

Year	Accounting Firm	CPA	Audit Opinion
2016	Deloitte & Touche	Yih-Shin Kao, Tung-Hui Yeh	An Unmodified Opinion
2017	Deloitte & Touche	Yih-Shin Kao, Su-Li Fang	An Unmodified Opinion
2018	Deloitte & Touche	Yih-Shin Kao, Su-Li Fang	An Unmodified Opinion
2019	Deloitte & Touche	Yu-Feng Huang, Su-Li Fang	An Unmodified Opinion
2020	Deloitte & Touche	Yu-Feng Huang, Su-Li Fang	An Unmodified Opinion

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

Item	Year	Financial Analysis for the Last Five Years（Note 1）					2021 (As of March 31)（Note 1）
		2016	2017	2018	2019	2020	
Financial Structure	Debt Ratio (%)	12.49	13.99	17.61	16.29	19.05	18.45
	Ratio of Debt to Equity (%)	14.27	16.27	21.38	19.47	23.64	22.70
	Ratio of Long-term Capital to Property, Plant and Equipment (%)	386.30	412.58	356.93	362.17	434.21	504.83
Solvency	Current Ratio (%)	621.98	558.92	424.16	464.28	423.78	453.79
	Quick Ratio (%)	615.89	552.33	417.51	455.73	417.67	443.03
	Times Interest Earned (Times)	（Note 2）	（Note 2）	（Note 2）	3,538.34	5,036.12	15,652.86
Operating Performance	Accounts Receivable Turnover (Times)	19.79	18.16	11.67	9.33	13.49	18.98
	Average Collection Period	18	20	31	39	27	19
	Inventory Turnover (Times)	（Note 2）	（Note 2）	（Note 2）	（Note 2）	（Note 2）	（Note 2）
	Accounts Payable Turnover (Times)	（Note 2）	（Note 2）	（Note 2）	（Note 2）	（Note 2）	（Note 2）
	Average Days in Sales	（Note 2）	（Note 2）	（Note 2）	（Note 2）	（Note 2）	（Note 2）
	Property, Plant and Equipment Turnover (Times)	2.44	2.73	2.96	2.91	3.76	5.14
	Total Assets Turnover (Times)	0.57	0.60	0.66	0.68	0.79	0.90
Profitability	Return on Total Assets (%)	25.27	26.03	27.22	26.21	31.35	43.98
	Return on Stockholders' Equity (%)	28.60	30.02	32.28	31.56	38.29	54.61
	Pre-tax Income to Paid-in Capital (%)	80.26	89.70	92.21	83.50	109.23	181.05
	Profit Ratio (%)	44.01	43.52	41.52	38.44	39.79	48.84
	Earnings Per Share (NT$)	7.06	7.90	8.13	7.30	9.52	3.93
Cash Flow	Cash Flow Ratio (%)	224.54	204.59	181.67	194.17	206.17	269.37
	Cash Flow Adequacy Ratio (%)	119.25	123.58	114.25	106.15	117.12	170.62
	Cash Reinvestment Ratio (%)	5.76	7.02	3.56	(0.07)	18.34	53.58
Leverage	Operating Leverage	2.04	2.02	1.95	2.00	1.94	1.65
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.00

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. The increase in ratio of debt to equity was mainly due to the increase in profit in 2020, which resulted in the increase in bonuses payable, remuneration payable to employees and directors, and income tax liabilities.
2. The increase in times interest earned was mainly due to the increase in profit in 2020.
3. The increase in accounts receivable turnover and the decrease in average collection period were mainly due to the increase in revenue, but the decrease in amount of average accounts receivable in 2020.
4. The increase in property, plant and equipment turnover was mainly due to the growth in revenue in 2020.
5. The increase in return on stockholders' equity, pre-tax income to paid-in capital and earnings per share were mainly due to the increase in profit in 2020.
6. The increase in cash reinvestment ratio was mainly due to the decrease in cash dividends issued and the increase in net cash generated from operating activities in 2020.

Note 1：The financial information for year 2016 to 2020 has been audited by the CPAs, and the financial information for the first quarter of 2021 has been reviewed by the CPAs.

Note 2 ：eMemory did not have interest expense or inventory for the year. Therefore, eMemory did not apply times interest earned, inventory turnover, accounts payable turnover and average days in sales.

6.2.2 Parent Company Financial Analysis

Item		Financial Analysis for the Last Five Years (Note 1)				
	Year	2016	2017	2018	2019	2020
Financial Structure	Debt Ratio (%)	12.29	13.99	17.61	16.18	18.97
	Ratio of Debt to Equity (%)	14.02	16.27	21.38	19.30	23.41
	Ratio of Long-term Capital to Property, Plant and Equipment (%)	386.30	412.58	356.93	363.58	434.38
Solvency	Current Ratio (%)	595.45	558.92	424.16	459.19	405.15
	Quick Ratio (%)	589.24	552.33	417.51	450.64	399.38
	Times Interest Earned (Times)	(Note 2)	(Note 2)	(Note 2)	3,538.34	7,496.04
Operating Performance	Accounts Receivable Turnover (Times)	19.79	18.16	11.67	9.30	13.42
	Average Collection Period	18	20	31	39	27
	Inventory Turnover (Times)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
	Accounts Payable Turnover (Times)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
	Average Days in Sales	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
	Property, Plant and Equipment Turnover (Times)	2.44	2.73	2.96	2.92	3.77
	Total Assets Turnover (Times)	0.57	0.60	0.66	0.68	0.79
Profitability	Return on Total Assets (%)	25.30	26.06	27.22	26.23	31.51
	Return on Stockholders' Equity (%)	28.60	30.02	32.28	31.56	38.29
	Pre-tax Income to Paid-in Capital (%)	79.70	89.24	92.21	83.50	109.38
	Profit Ratio (%)	44.01	43.52	41.52	38.46	39.96
	Earnings Per Share (NT$)	7.06	7.90	8.13	7.30	9.52
Cash Flow	Cash Flow Ratio (%)	229.80	206.42	181.67	202.23	221.82
	Cash Flow Adequacy Ratio (%)	119.64	124.20	114.73	105.37	114.41
	Cash Reinvestment Ratio (%)	5.87	7.29	3.56	0.94	21.16
Leverage	Operating Leverage	2.03	2.02	1.95	1.94	1.82
	Financial Leverage	1.00	1.00	1.00	1.00	1.00

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. The increase in ratio of debt to equity was mainly due to the increase in profit in 2020, which resulted in the increase in bonuses payable, remuneration payable to employees and directors, and income tax liabilities.
2. The increase in times interest earned was mainly due to the increase in profit in 2020.
3. The increase in accounts receivable turnover and the decrease in average collection period were mainly due to the increase in revenue, but the decrease in amount of average accounts receivable in 2020.
4. The increase in property, plant and equipment turnover was mainly due to the growth in revenue in 2020.
5. The increase in return on total assets, return on stockholders' equity, pre-tax income to paid-in capital and earnings per share were mainly due to the increase in profit in 2020.
6. The increase in cash reinvestment ratio was mainly due to the decrease in cash dividends issued and the increase in net cash generated from operating activities in 2020.

Note 1：The financial information for year 2016 to 2020 has been audited by the CPAs.

Note 2：eMemory did not have interest expense or inventory for the year. Therefore, eMemory did not apply times interest earned, inventory turnover, accounts payable turnover and average days in sales.

* Glossary

1. Financial Structure
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Ratio of Debt to Equity = Total Liabilities / (Total Equity- Non-controlling Interests)
   (3) Ratio of Long-term Capital to Property, Plant and Equipment = (Shareholders' Equity + Non-current Liabilities) / Net Property, Plant and Equipment
2. Solvency
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses
3. Operating Performance
   (1) Accounts Receivable Turnover = Operating Revenue / Average Accounts Receivables
   (2) Average Collection Period = 365 / Accounts Receivable Turnover
   (3) Inventory Turnover = Cost of Sales / Average Inventory
   (4) Accounts Payable Turnover = Cost of Sales / Average Accounts Payables
   (5) Average Days in Sales = 365 / Inventory Turnover
   (6) Property, Plant and Equipment Turnover = Operating Revenue / Average Net Property, Plant and Equipment
   (7) Total Assets Turnover = Operating Revenue / Average Total Assets
4. Profitability
   (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
   (2) Return on Stockholders' Equity = Net Income Attributable to Shareholders of the Parent / Average Equity Attributable to Shareholders of the Parent
   (3) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
   (4) Profit Ratio = Net Income / Operating Revenue
   (5) 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 Provided by Operating Activities / Current Liabilities
   (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   (3) Cash Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Non-current Assets + Working Capital)
6. Leverage
   (1) Operating Leverage = (Operating Revenue - Variable Cost) / Income from Operations
   (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

6.3 Audit Committee’s Review Report

Audit Committee's Review Report

The Board of Directors has prepared the Company’s 2020 business report, financial statements, and proposal for allocation of profits. The CPA firm of Deloitte & Touche was retained to audit eMemory’s financial statements and has issued an audit report relating to the financial statements. The business report, financial statements, and profit allocation proposal have been reviewed by the Audit Committee and no irregularities were found. We hereby report as above according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To eMemory Technology Inc. 2021 General Shareholders’ Meeting

eMemory Technology Inc.
Chairman of the Audit Committee: Ming-To Yu

February 24, 2021

6.4 Consolidated Financial Statements for the Years Ended December 31 2020 and 2019, and Independent Auditors' Report：Please refer to page 124~184 of this Annual Report.

6.5 Parent Company Only Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report：Please refer to page 185~241 of this Annual Report.

6.6 Disclosure of the Impact on Company's Financial Status Due to Financial Difficulties：None.

6.7 Certification Details of Employees who are Related to the Release of the Company's Financial Information Transparency

<table>
<tr><th>Title</th><th>Name</th><th>Issuing Institution</th><th>Certification</th></tr>
<tr><td rowspan="2">Accounting and Financial Officer</td><td rowspan="2">Teresa Kuo</td><td>The Institute of Internal Auditors, ROC (Taiwan)</td><td>Qualified Internal Auditor (QIA)</td></tr>
<tr><td>The Institute of Internal Auditors, ROC (Taiwan)</td><td>Certified Internal Auditor (CIA)</td></tr>
<tr><td rowspan="4">Internal Auditing Officer</td><td rowspan="4">Grace Mai</td><td>The Institute of Internal Auditors, ROC (Taiwan)</td><td>Certified Internal Auditor (CIA)</td></tr>
<tr><td>Securities & Futures Institute</td><td>Basic Competence Exams for Enterprise Internal Control</td></tr>
<tr><td>Ministry of Economic Affairs</td><td>Intangible Asset Certified Valuation Analyst – Entry Level Certification</td></tr>
<tr><td>Securities & Futures Institute</td><td>Professional Proficiency Exams for Stock Affair Specialist</td></tr>
</table>

VII. Financial Status, Financial Performance, and Risk Management

7.1 Financial Status

Unit: NT$ thousands

Item \ Year	2020	2019	Difference	
			Amount	%
Current Assets	1,898,915	1,416,756	482,159	34.03
Property, Plant and Equipment	467,393	477,171	(9,778)	(2.05)
Intangible Assets	76,814	73,805	3,009	4.08
Other Assets	34,450	65,595	(31,145)	(47.48)
Total Assets	2,477,572	2,033,327	444,245	21.85
Current Liabilities	448,093	305,153	142,940	46.84
Non-current Liabilities	23,836	26,160	(2,324)	(8.88)
Total Liabilities	471,929	331,313	140,616	42.44
Equity Attributable to Shareholders of the Parent	1,996,271	1,702,014	294,257	17.29
Capital Stock	760,592	758,336	2,256	0.30
Capital Surplus	391,907	404,446	(12,539)	(3.10)
Retained Earnings	1,308,111	1,009,056	299,055	29.64
Other Equity	(60,101)	(65,586)	5,485	(8.36)
Treasury Stock	(404,238)	(404,238)	0	0.00
Non-controlling Interest	9,372	0	9,372	-
Total Equity	2,005,643	1,702,014	303,629	17.84

Analysis of Deviation over 20%：

1. The increase in current assets, total assets and retained earnings were mainly due to the increase in revenue and profit in 2020.
2. The decrease in other assets was mainly due to disposal of financial assets at amortized cost in 2020.
3. The increase in current liabilities and total liabilities were mainly due to the increase in profit in 2020, which resulted in the increase in bonuses payable, remuneration payable to employees and directors, and income tax liabilities.

7.2 Financial Performance

Unit: NT$ thousands (Except EPS: NT$)

Item \ Year	2020	2019	Difference	%
Operating Revenue	1,776,653	1,410,085	366,568	26.00
Gross Profit	1,776,653	1,410,085	366,568	26.00
Income from Operations	822,586	621,323	201,263	32.39
Non-operating Income and Expenses	8,209	11,861	(3,652)	(30.79)
Income before Tax	830,795	633,184	197,611	31.21
Income from Continuing Operations	706,845	542,072	164,773	30.40
Loss of Discontinued Operations	0	0	0	0
Net Income (Loss)	706,845	542,072	164,773	30.40
Other Comprehensive Income (Income after Tax)	5,004	(5,258)	10,262	(195.17)
Total Comprehensive Income	711,849	536,814	175,035	32.61
Net Income Attributable to Shareholders of the Parent	707,999	542,072	165,927	30.61
Net Income Attributable to Non-controlling Interest	(1,154)	0	(1,154)	-
Comprehensive Income Attributable to Shareholders of the Parent	713,006	536,814	176,192	32.82
Comprehensive Income Attributable to Non-controlling Interest	(1,157)	0	(1,157)	-
Earnings Per Share	9.52	7.30	2.22	30.41

Analysis of Deviation over 20%：

1. The increase in operating revenue, gross profit, income from operations, income before tax, income from continuing operations, net income, total comprehensive income, net income attributable to shareholders of the parent, comprehensive income attributable to shareholders of the parent, and earnings per share were mainly due to the growth in royalty and licensing in 2020.
2. The decrease in non-operating income and expenses was mainly due to the loss in exchange rate caused by the appreciation of NT$ in 2020.
3. The increase in other comprehensive income (income after tax) in the current period was mainly due to the recognition of unrealized gain on investments in equity instruments at fair value through other comprehensive income in 2020.

7.3 Cash Flow

7.3.1 Cash Flow Analysis for 2020

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Generated from Operating Activities (2)	Net Cash Used in Investing Activities and Financing Activities (3)	Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies (4)	Cash Surplus (Deficit) (1)+(2)-(3)+(4)	Leverage of Cash Deficit	
					Investment Plans	Financing Plans
$1,263,858	$ 923,840	$431,175	($2,412)	$1,754,111	0	0

A. Analysis of Cash Flow

(1) Operating Activities：Net cash generated from operating activities was mainly from net income.

(2) Investing Activities：Net cash used in investing activities was primarily for capital expenditures.

(3) Financing Activities：Net cash used in financing activities was mainly for payment of cash dividends.

B. Remedial Actions for Liquidity Shortfall：Not applicable.

7.3.2 Cash Flow Projection for 2021

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Generated from Operating Activities (2)	Net Cash Used in Investing Activities and Financing Activities (3)	Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies (4)	Cash Surplus (Deficit) (1)+(2)-(3)+(4)	Leverage of Cash Deficit	
					Investment Plans	Investment Plans
$1,754,111	$866,086	$694,636	$0	$ 1,925,561	0	0

A. Analysis of Cash Flow

(1) Operating Activities：Net cash generated from operating activities was mainly from net income.

(2) Investing Activities：Net cash used in investing activities was primarily for capital expenditures.

(3) Financing Activities：Net cash used in financing activities was mainly for payment of cash dividends.

B. Remedial Actions for Liquidity Shortfall：Not applicable.

7.4 Major Capital Expenditure Items

7.4.1 Major Capital Expenditure Items and Source of Capital：None.

7.4.2 Expected Benefits：Not applicable.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

The objectives of the Company's investment policy are for stable gains and the cultivation of business relation with the investees. In 2020, the investment accounted for under the equity method caused loss amounted to NT$3,444 thousand, which is mainly due to the fact that the invested company has not yet reached the economic scale. In the future, the Company will seek long-term strategic investment and continue taking caution in the evaluation and management of all investment planning.

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

A. Interest rate: The interest income of the Company for 2020 was in the amount of NT$7,601 thousand, and the interest expense was in the amount of NT$165 thousand; both of which accounted for a rather low percentage of operating revenue as well as profit and loss for the year respectively. It is expected that changes in the interest rate in the future will not have a significant effect on the overall operations as well as profit and loss of the Company.

B. Foreign exchange volatility: The majority of the sales of the Company are denominated in USD and JPY and some of the purchases were denominated in USD. Any changes in the exchange rate will affect the accounts receivable and payable denominated in foreign currencies and the profit position of the Company. For hedging off risks deriving from exchange rate fluctuation, the Company has appointed designated personnel to keep track of the changes in exchange rate, as well as keeping close liaison with associated banks to gather exchange rate forecast to understand banks' exchange rate trend and information, and reduce the adverse impact of exchange rate changes on the Company's profit and loss.

C. Inflation: Inflation has never caused any significant impact on the Company's income. The Company's management is highly sensitive to the market trend. If there is an anticipation of inflation that increase the purchase cost, the Company will seek to reorient its business policy, including the adjustment of the price of sales. As such to keep inflation risk is kept under control.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

In 2020 and 2021 to April 12, the Company did not engage in any high-risk, high-leveraged investments, endorsement guarantees, and derivative transactions. With regard to extension of lending funds to others, the Board of Directors of the Company adopted the resolution on July 29, 2020 in accordance with the "Procedures for Lending Funds to Other Parties" of the Company to provide its subsidiary, PUFsecurity Corporation, with a short-term financing facility for its operational needs. As of April 12, 2021, PUFsecurity Corporation had not yet made a drawdown request therefor.

7.6.3 Research & Development Plans and Expense Projection

The Company keeps its effort in eNVM development in line with the future trend in the industry and expedite new SIP development in advanced process nodes to increase Company's competitiveness.

Plans in Recent Years	Progress and Schedule of Completion	R&D Expenditure	Major Factors Affecting Project Success
NeoBit has developed a new type cell with ultra-low voltage read to meet the low energy requirements of IoT	Expect to complete IP design and tape-out in 2021.	USD 100K	Memory cell's performance at low voltage
NeoFuse development in 28nm 1.8V HPC+ logic automotive process to fulfill ISO26262 safety compliance	Expect to complete the first phase certification in 2022.	USD 200K	ISO26262 compliance
NeoFuse BCD process development for the low-cost compact IP which is needed for PMIC ICs	Expect to complete 55/90nm IP qualification in 2021.	USD 150K	Circuit shrink capability
NeoFuse development in 22nm high-voltage process for OLED display driver ICs	Plan to complete the IP characterization of the first foundry in 2021.	USD 250K	Quality and yield of the IP
NeoFuse development in leading-edge DRAM process	In developing of 20nm DRAM process. Expect to validate all functions in 2021.	USD 200K	Quality and yield of the IP
NeoFuse development in 12nm FFC+ process	Expect to validate all functions in 2021.	USD 250K	Quality and yield of the IP
NeoFuse development in advanced 7nm FinFET process for automotive application	Expect to complete the IP qualification in 2021.	USD 300K	Quality and yield of the IP
NeoFuse development in advanced 6nm FinFET processes	Expect to complete the IP qualification in 2021.	USD 600K	Quality and yield of the IP
NeoFuse development in 5nm FinFET processes for the mobile applications	Expect to validate the IP functions in 2021.	USD 900K	Quality and yield of the IP
PUFrt security module development based on NeoPUF technology	Expect to complete the 22nm product design in 2021.	USD 150K	Design to meet security guideline
Vulnerability certification for PUFrt security module which is based on NeoPUF technology	Expect to complete the 28nm IP design and get the certification in 2021.	USD 200K	Design to meet security guideline

Plans in Recent Years	Progress and Schedule of Completion	R&D Expenditure	Major Factors Affecting Project Success
NeoEE development for automotive 0.11um BCD process	AEC-Q100 Grade 0 qualification to be finished in 2021 and get 2nd phase certification of ISO26262.	USD 200K	Meet ISO26262 function safety certification
Analog NeoMTP development in 55nm HV process for AI applications	Qualification will be completed in 2021.	USD 400K	Data storage capability at high temperature
New NeoMTP development in 90nm BCD process	Qualification will be completed in 2021.	USD 300K	Quality and yield of the IP
NeoMTP development in 65nm RFCMOS process	Function characterization will be completed in 2021.	USD 300K	Quality and yield of the IP
ReRAM development in 40nm ULP process	Qualification will be completed in 2021.	USD 100K	Quality and yield of the IP
ReRAM development in 22nm ULL process	Function verification will be completed in 2021.	USD 200K	Quality and yield of the IP
MRAM development in 22nm HPC+	Function verification will be completed in 2021.	USD 4M	Quality and yield of the IP

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company runs its routine operation in compliance with applicable domestic and foreign laws, and monitors closely all domestic and foreign governmental policy and regulation changes that might impact the operation and financial operations. In 2020 and 2021 to April 12, there was no influence on the financial and operation performance of the Company due to changes of domestic and foreign governmental policy and regulation.

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

In order to improve information security management, the Information Security Committee was established in April 2013 by the Company, as well as the information security policies and related operation rules. Under the governance of Information Security Committee, the Information Security Execution Team is responsible for planning and execution of information security operation, and the Information Security Event Response Center is established for responding and giving directions to the material information security event.

The Information Security Committee periodically convenes quarter meetings for examining the affairs related to the information security management of the Company and reviewing the execution of information security policy. The Information Security Execution Team is required for periodically reporting information security quality in Management Review Meeting hosted by the President. The Audit Office annually assesses the execution of information security management, and report to Audit Committee and the Board of Directors to ensure the works of information security are actually executed.

The Company highly values the research and development ability enhancement. Through the strong bonding of strategic alliances with world-class foundries, the Company can keep abreast of the latest changes in the industry and access to market information ahead of the industry peers, for keeping the financial stability and flexibility. As such, the effect of technological change and industry change bring is positive effects to the Company.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company’s Response Measures

Professionalism and integrity are the fundamental principles of the Company. The Company highly values its corporate images and risk management. There is no foreseeable crisis currently. In the future, the Company will seek to optimize the shareholders’ interest while realizing corporate social responsibility.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

None.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

None.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

Under the adjustment of business strategy from the second half of 2011 onward, the Company decided to focus on IP business and planned to gradually reduce the proportion of income from wafer business, and made no purchase of wafer since 2013 to the date this report was printed. The key customers of the Company are famous domestic and foreign foundries with stable streams of purchasing orders and consistent revenue contributions to the Company. The business relation between these foundries and the Company is positive and there is no risk deriving from overconcentration of selling.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

None.

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights

None.

7.6.12 Litigation or Non-litigation Matters

A. Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.
B. Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

7.6.13 Other Major Risks

A. Risk Management Policy

The Company's management pays utmost attention to risk management. The frequency of internal audit is arranged in line with the level of risk. The Chief Auditor also assists the Company to bolster all internal control for reducing risk to the minimum level and enhance shareholders' interest.

B. To ensure the thorough implementation of sustainable strategy, the Company has its President convene Management Examination Meeting every six months to review the issues related to environment, society and corporate governance which are concerned by stakeholders; in consideration of the materiality principle, the company establishes risk assessment which is relevant to the business operation, and proposes related policies and measures. Please refer to page 120~121 of this Annual Report.

C. The Organization Structure for Risk Management

Name of Organization	Scope of Authority and Responsibility
Board of Directors	Map out the risk management policy, structure, and the culture; ensure the effectiveness of risk management mechanism and allocate resources.

Name of Organization	Scope of Authority and Responsibility
Audit Committee	Review the policy, structure and culture of risk management and propose suggestions to the Board of Directors; furthermore supervise on the effectiveness of the risk management mechanism and propose suggestions to the Board of Directors.
Senior Management (President, Vice Presidents)	Execution of the risk management decision of the Board, coordination of cross-function risk management interaction and communication, design and decision-making of business operation, assessment mid-term to long-term investment and return to reduce risks.
Audit Office	Conduct regular and irregular audits in accordance with the internal control and audit plan to ensure enforcement of risk control. Prepare audit reports based on the findings as reference for the Audit Committee, Board of Directors and the management for adjusting management policy and decision-making.
Management Review Meeting	Periodically perform comprehensive review on the quality/information security of the Company, the content to be reviewed shall include the feedback of stakeholder, to ensure its constant normal operation.
Information Security Committee	Being responsible for the planning, supervision and integration, communication of information security related affairs.
Environmental Safety Functional Units	Risk Control of labor safety and provide related education, establishment and maintenance of environmental protection, labor safety, and health system.
The Manager of Each Functional Department	Execution of risk control in routine operation and self-assessment of risk control.
Administration Center	Management and maintenance of IT system, allocation of human resources, media and public relations, liaison with external parties, design and arrangement of administrative and general affairs, review and institution of legitimacy of intellectual property rights.
Finance Department	Bookkeeping and compilation of management statements as reference for the management in making and revising decisions, funds management, share registration and transfer, execution, preparation and analysis of the return of short to long-term investment.

D. Risk Management Organization:

Major Risk Assessment	Risk Management Authority (1st Tier)	Risk Review and Control (2nd Tier)	The Board, Audit Committee and Audit Office (3rd Tier)
1. Interest rate, exchange rate, and financial risk 2. High-risk, high-leveraged investments, lending or endorsement guarantees, derivative	Finance Department	President	1. The Board: Decision of risk assessment and control. 2.Audit Committee: Review the risk assessment and propose suggestions to the Board.

Major Risk Assessment	Risk Management Authority (1st Tier)	Risk Review and Control (2nd Tier)	The Board, Audit Committee and Audit Office (3rd Tier)
transactions, and financial investments			3. Audit Office: Risk inspection, assessment, monitoring, and tracking of corrective actions and report.
3. R&D plan	R&D Units, Sales & Marketing Units, Information Security Execution Team, Information Security Event Response Center	1. Project Management (members: project manager, Sales & Marketing Units, R&D Units, Quality Management & Process Integration Department) 2. Senior Management Meeting (members: President, VP of Administration Center, VP of Sales & Marketing Center, VP of R&D, Accounting and Financial Officer) 3. Information Security Committee (members: Information Technology Department, Engineering Center, Audit Office)	
4. Changes in Technology and industry			
5. Changes in policies and Regulations	President, Legal Affairs Department	1. Senior Management Meeting (members: President, VP of Administration Center, VP of Sales & Marketing Center, VP of R&D, Accounting and Financial Officer) 2. Management Review Meeting (members: President, managers of each functional departments, Quality Management & Process Integration Department)	
6. Litigation or non-litigation matters			
7. Corporate image / Corporate Social Responsibility	President Office Relevant functional departments		
8. Transfer of shares by Directors and major shareholders	Stock Affairs Unit	Chairman, President	
9. Changes in management rights	Chairman, President		

Major Risk Assessment	Risk Management Authority (1st Tier)	Risk Review and Control (2nd Tier)	The Board, Audit Committee and Audit Office (3rd Tier)
10. Others operational matters	Relevant functional departments	Chairman, President	

E. With respect to the materiality principle of social responsibility, the Company made related risk assessments for material topics, and established related risk management strategy and measures as followings:

Material Topic	Risk Assessment Project	Risk Management Strategy and Measures
Environment	Environmental Protection and Ecological Conservation	The Company is a professional silicon IP company, and not engaged in production and manufacturing (intangible product); thus, there is no industrial waste being produced. Domestic waste can be divided into general waste (including kitchen waste) and recyclable waste. The waste is collected by employees in the temporary waste storage area; then the property management company assists in its removal. The waste is then transported by a qualified waste handling operator to the incineration plant for treatment and disposal. In addition, the Company has promoted the implementation of energy-saving measures in the office. For example, air conditioning systems have been equipped with timers for scheduled operation; tap water savers have been installed to save water; and employees are encouraged to turn off any unused lights, adopt paperless operations, and practice water conservation. Moreover, a regular annual inventory of greenhouse gases and water consumption is carried out, to achieve the goals of reducing carbon dioxide emissions, water consumption, and total waste generation year by year, and thus implementing environmental protection.
	Climate Change	The Company has evaluated that climate change may cause disaster hazard, market risk, operation risk etc., and to minimize the impact of increased operation costs caused by the relevant potential risks, the Company alters the green environmental protection from duties to opportunities by the innovation of core technologies, implementing component reduced product design which substitutes the complex manufacturing process required by the conventional non-volatile memory, and reduces the emission of carbon dioxide; depending on the innovation in several aspects of strategy, market, management, research and development, and accompanying with power of implementation, the Company keeps change for sustainability.

Material Topic	Risk Assessment Project	Risk Management Strategy and Measures
Society	Workplace Safety	The Company is dedicated in the topics of securing labor health and working environment by periodically implementing safety and health education and holding "Fire Safety Seminar" propaganda courses pursuant to the occupational safety and health relevant laws and regulations. And by providing specific parking spaces or transportation allowances, nursery room, full time security system, multifunction rest area etc. the employees can enjoy a comfortable and healthy environment. We believe that the most fortune of the Company shall be the healthy employees, we provide full exercise allowances for fitness and hold health examination periodically, and the nursing personnel on-site services are available in the Company to manage the health of employees and provide health consulting services. During the high-risk period of the COVID-19 pandemic, the policy of split operations was adopted to reduce the risk of cross infection among employees. Later on, precautions to help fight the pandemic have continued to be periodically promoted.
	Product Safety	The Company has passed the TÜV Rheinland ISO 9001:2015 Quality Management System certification and obtained corresponding certificates. The NeoBit & NeoEE AS series products have passed the TÜV Rheinland ISO 26262 (Road Vehicles-Functional Safety) & Industrial Specifications IEC 61508 (Functional safety of electrical/electronic/programmable electronic safety-related systems) certification and obtained corresponding certificates. Besides, the Company insists on the spirit of "Quality First, Service Best, Customer Satisfied" and focuses on product quality to reach the main goal of increasing the customer's satisfaction, provides customers with safe, reliable and high quality products, and maintain good communication channel with customers by providing transparent and effective complaint handling procedures for products and services. In addition, the customer satisfaction survey is conducted every year, the Company deserves recognition from customers for years.
Corporate Governance	Social Economic and Compliance	By means of establishing corporate governance organization and implementing internal control system, all the personnel and operations of the Company can be ensured to comply with relevant laws and regulations.

7.7 Other Materiality: None.

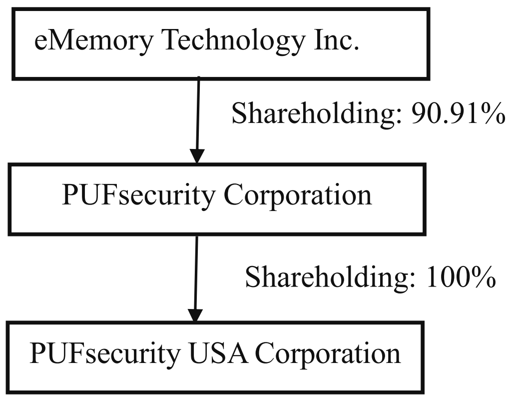
VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Consolidation Business Report of Affiliates

A. The Company’s Affiliated Companies Chart

12/31/2020



B. Basic Information of Affiliated Companies：

12/31/2020；Unit: NT$ thousands/ US$ thousands

Company Name	Date of Establishment	Address	Capital	Main Businesses and Products
PUFsecurity Corporation	May 8, 2019	Hsinchu County, Taiwan	NT$ 77,000	Product designing, software services, data processing services, intellectual property, etc.
PUFsecurity USA Corporation	July 9, 2020	USA	US$ 270	Sales promotion

C. In accordance with the Article 369-3 of the Company Act, Disclose if There is a Presumption of Controlling and Subordinate Relationship：None.

D. Shareholders in Common of the Company and Its Affiliated Companies with Deemed Control and Subordination：None.

E. Business Scope of the Company and Its Affiliated Companies：Please refer to the above of Basic Information of Affiliated Companies.

F. List of Directors, Supervisors and Presidents of the Company's Affiliated Companies：

04/12/2021

Company Name	Title	Name or Representative	Holding Shares	
			Shares	%
PUFsecurity Corporation	Chairman	eMemory Technology Inc. Representative：Charles Hsu	70,000,000	90.90%
PUFsecurity USA Corporation	Chairman	Charles Hsu	PUFsecurity Corporation 270	100%

G. Operation Highlights of the Company's Affiliated Companies：

12/31/2020；Unit: NT$ thousands (Except EPS: NT)

Company Name	Capital	Assets	Liabilities	Equity	Revenue	Operating Income	Net Income (Loss)	EPS
PUFsecurity Corporation	77,000	108,470	6,381	102,089	6,264	(56,205)	(60,641)	(1.10)
PUFsecurity USA Corporation	7,777	5,188	1,876	3,312	0	(4,441)	(4,441)	(27,245.36)

8.1.2 Consolidated Business Report and Consolidation of Financial Statements of Affiliates：Please refer to page 124~184 of this Annual Report.

8.2 Private Placement Securities：None.

8.3 Shares in the Company Held or Disposed of by Subsidiaries：None.

8.4 Supplementary Notes：None.

8.5 Any Events Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 3 of Article 36 of Securities and Exchange Act：None.

Appendix 1：Consolidated Financial Statements

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of the parent company and its subsidiaries under International Financial Reporting Standard 10 "Consolidated Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of the parent company and its subsidiaries. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

eMemory Technology Inc.

By:

Charles Hsu
Chairman

February 24, 2021

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
eMemory Technology Inc.

Opinion

We have audited the accompanying consolidated financial statements of eMemory Technology Inc. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

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

1. Royalty fees are the Group's major source of revenue, refer to Note 20 for the related information. When the customers of the Group, the IC design houses, uses the Group's intellectual property to reach mass production status, and the goods have been produced and shipped from the wafer foundries, the wafer foundries will pay royalty fees to the Group based on a certain percentage of the wafer price.

2. The Group recognizes royalty revenue based on the contract regulations, at the time the royalty reports are signed and returned. Hence, there is a risk that the royalty revenue from wafer foundries is not recognized in the correct accounting time period.

3. We confirmed the accuracy of timing of royalty revenue recognition by understanding the revenue recognition policy of the Group, assessing the reasonableness of the timing of revenue recognition, performing relevant tests of controls and analytical procedures, and selecting a certain number of royalty revenue transactions before and after the end of the reporting period and checking them against the relevant supporting documents and accounting records.

Other Matter

We have also audited the parent company only financial statements of eMemory Technology Inc. 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 IFRS, IAS, IFRIC and 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 Yu-Feng Huang and Su-Li Fang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2021

<u>*Notice to Readers*</u>

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.

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

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

ASSETS	2020 Amount	2020 %	2019 Amount	2019 %
CURRENT ASSETS				
Cash (Notes 4, 6 and 26)	$ 1,754,111	71	$ 1,263,858	62
Accounts receivable - net (Notes 4, 9, 20 and 26)	117,449	5	126,812	7
Other receivables (Notes 4 and 26)	105	-	1,929	-
Other receivables - related parties (Notes 4, 26 and 27)	277	-	410	-
Prepayments (Note 15)	23,711	1	19,472	1
Other current assets (Notes 4, 15 and 26)	3,262	-	4,275	-
Total current assets	1,898,915	77	1,416,756	70
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 7 and 26)	21,037	1	15,530	1
Financial assets at amortized cost - noncurrent (Notes 4, 8, 26 and 28)	114	-	33,613	2
Investment accounted for using the equity method (Notes 4 and 11)	5,517	-	5,382	-
Property, plant and equipment (Notes 4, 12 and 31)	467,393	19	477,171	23
Right-of-use assets (Notes 4, 13 and 31)	3,352	-	7,287	-
Intangible assets (Notes 4 and 14)	76,814	3	73,805	4
Deferred tax assets (Notes 4 and 22)	4,022	-	3,434	-
Prepayments for equipment	50	-	-	-
Refundable deposits	358	-	349	-
Total non-current assets	578,657	23	616,571	30
TOTAL	$ 2,477,572	100	$ 2,033,327	100

LIABILITIES AND EQUITY	2020 Amount	2020 %	2019 Amount	2019 %
CURRENT LIABILITIES				
Contract liabilities - current (Notes 20 and 27)	$ 50,802	2	$ 32,837	2
Other payables (Notes 16 and 26)	136,590	5	80,914	4
Bonuses payable to employees and directors (Note 21)	164,397	7	125,120	6
Payables on equipment (Note 26)	5,134	-	4,861	-
Current tax liabilities (Notes 4 and 22)	87,696	4	56,576	3
Lease liabilities - current (Notes 4, 13 and 26)	1,340	-	3,114	-
Other current liabilities (Notes 16 and 27)	2,134	-	1,731	-
Total current liabilities	448,093	18	305,153	15
NON-CURRENT LIABILITIES				
Lease liabilities - noncurrent (Notes 4, 13 and 26)	2,073	-	4,246	-
Net defined benefit liabilities - noncurrent (Notes 4 and 17)	21,233	1	21,384	1
Guarantee deposits received (Note 27)	530	-	530	-
Total non-current liabilities	23,836	1	26,160	1
Total liabilities	471,929	19	331,313	16
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 4, 18 and 19)				
Ordinary shares	760,592	31	758,336	37
Capital surplus	391,907	16	404,446	20
Retained earnings				
Legal reserve	455,518	18	401,471	20
Special reserve	65,586	3	61,932	3
Unappropriated earnings	787,007	32	545,653	27
Total retained earnings	1,308,111	53	1,009,056	50
Other equity				
Exchange differences on the translation of the financial statements of foreign operations	(26)	-	(4)	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(60,075)	(3)	(65,582)	(3)
Total other equity	(60,101)	(3)	(65,586)	(3)
Treasury shares	(404,238)	(16)	(404,238)	(20)
Total equity attributable to shareholders of the Company	1,996,271	81	1,702,014	84
NON-CONTROLLING INTERESTS (Notes 4 and 18)	9,372	-	-	-
Total equity	2,005,643	81	1,702,014	84
TOTAL	$ 2,477,572	100	$ 2,033,327	100

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

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

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**	**%**
OPERATING REVENUE (Notes 4, 20, 27 and 31)	$ 1,776,653	100	$ 1,410,085	100
OPERATING COSTS	-	-	-	-
GROSS PROFIT	1,776,653	100	1,410,085	100
OPERATING EXPENSES (Notes 4, 13, 21 and 27)				
Selling and marketing expenses	137,638	8	122,545	9
General and administrative expenses	208,855	12	162,986	11
Research and development expenses	602,718	34	506,215	36
Expected credit loss (gain) (Notes 4 and 9)	4,856	-	(2,984)	-
Total operating expenses	954,067	54	788,762	56
OPERATING INCOME	822,586	46	621,323	44
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 21)	7,601	1	9,631	-
Other income (Notes 4, 13, 21 and 27)	5,867	-	10,129	1
Other gains and losses (Notes 4, 21, 24 and 27)	(1,650)	-	(3,384)	-
Finance costs (Notes 4, 21 and 27)	(165)	-	(179)	-
Share of loss of associates (Notes 4 and 11)	(3,444)	-	(4,336)	-
Total non-operating income and expenses	8,209	1	11,861	1
PROFIT BEFORE INCOME TAX	830,795	47	633,184	45
INCOME TAX EXPENSE (Notes 4 and 22)	123,950	7	91,112	7
NET PROFIT FOR THE YEAR	706,845	40	542,072	38
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 17)	(478)	-	(1,604)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 18)	5,507	-	(3,650)	-

(Continued)

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

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 the translation of the financial statements of foreign operations (Notes 4 and 18)	$ (24)	-	$ -	-
Share of the other comprehensive loss of associates accounted for using the equity method (Notes 4, 11 and 18)	(1)	-	(4)	-
Other comprehensive income (loss) for the year	5,004	-	(5,258)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 711,849	40	$ 536,814	38
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Company	$ 707,999	40	$ 542,072	38
Non-controlling interests	(1,154)	-	-	-
	$ 706,845	40	$ 542,072	38
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Company	$ 713,006	40	$ 536,814	38
Non-controlling interests	(1,157)	-	-	-
	$ 711,849	40	$ 536,814	38
EARNINGS PER SHARE (Note 23)				
Basic	$ 9.52		$ 7.30	
Diluted	$ 9.47		$ 7.26	

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

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

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 Parent												
	Ordinary Shares			Retained Earnings				Other Equity					
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2019	75,791	$ 757,908	$ 416,537	$ 340,160	$ 926	$ 684,180	$ 1,025,266	$ -	$ (61,932)	$ (404,238)	$ 1,733,541	$ -	$ 1,733,541
Appropriation of 2018 earnings													
Legal reserve	-	-	-	61,311	-	(61,311)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	61,006	(61,006)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(556,678)	(556,678)	-	-	-	(556,678)	-	(556,678)
Change in capital surplus from investments in associates accounted for by using the equity method	-	-	3,676	-	-	-	-	-	-	-	3,676	-	3,676
Issuance of cash dividends from capital surplus	-	-	(37,112)	-	-	-	-	-	-	-	(37,112)	-	(37,112)
Net profit for the year ended December 31, 2019	-	-	-	-	-	542,072	542,072	-	-	-	542,072	-	542,072
Other comprehensive loss for the year ended December 31, 2019	-	-	-	-	-	(1,604)	(1,604)	(4)	(3,650)	-	(5,258)	-	(5,258)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	540,468	540,468	(4)	(3,650)	-	536,814	-	536,814
Issuance of ordinary shares under employee share options	43	428	13,554	-	-	-	-	-	-	-	13,982	-	13,982
Share-based payments	-	-	7,791	-	-	-	-	-	-	-	7,791	-	7,791
BALANCE, DECEMBER 31, 2019	75,834	758,336	404,446	401,471	61,932	545,653	1,009,056	(4)	(65,582)	(404,238)	1,702,014	-	1,702,014
Appropriation of 2019 earnings													
Legal reserve	-	-	-	54,047	-	(54,047)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	3,654	(3,654)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(408,466)	(408,466)	-	-	-	(408,466)	-	(408,466)
Changes in percentage of ownership interests in subsidiaries	-	-	24,629	-	-	-	-	-	-	-	24,629	(24,629)	-
Change in capital surplus from investments in associates accounted for by using the equity method	-	-	3,580	-	-	-	-	-	-	-	3,580	-	3,580
Issuance of cash dividends from capital surplus	-	-	(111,400)	-	-	-	-	-	-	-	(111,400)	-	(111,400)
Net profit (loss) for the year ended December 31, 2020	-	-	-	-	-	707,999	707,999	-	-	-	707,999	(1,154)	706,845
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	(478)	(478)	(22)	5,507	-	5,007	(3)	5,004
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	707,521	707,521	(22)	5,507	-	713,006	(1,157)	711,849
Issuance of ordinary shares under employee share options	226	2,256	69,567	-	-	-	-	-	-	-	71,823	-	71,823
Share-based payments	-	-	1,085	-	-	-	-	-	-	-	1,085	158	1,243
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	35,000	35,000
BALANCE, DECEMBER 31, 2020	76,060	$ 760,592	$ 391,907	$ 455,518	$ 65,586	$ 787,007	$ 1,308,111	$ (26)	$ (60,075)	$ (404,238)	$ 1,996,271	$ 9,372	$ 2,005,643

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

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 830,795	$ 633,184
Adjustments for:		
Depreciation expenses	43,206	40,678
Amortization expenses	16,356	14,495
Expected credit loss (gain)	4,856	(2,984)
Finance costs	165	179
Interest income	(7,601)	(9,631)
Dividend income	(1,210)	(291)
Share-based payments	1,243	7,791
Share of loss of associates	3,444	4,336
Loss on disposal of property, plant and equipment	35	-
Gain on disposal of investments	(48)	(95)
Net loss on foreign currency exchange	4,705	4,321
Lease modifitication benefit	(12)	-
Intangible assets reclassified as operating expenses	110	10
Changes in operating assets and liabilities		
Accounts receivable	2,193	32,484
Other receivables	1,691	(1,691)
Other receivables - related parties	133	(159)
Prepayments	(4,258)	426
Other current assets	1,013	(1,373)
Contract liabilities	17,965	(4,985)
Other payables	55,673	(13,204)
Other current liabilities	403	115
Net defined benefit liabilities	(629)	(554)
Bonuses payable to employees and directors	39,277	(12,972)
Cash generated from operations	1,009,505	690,080
Interest received	7,734	9,618
Income tax paid	(93,399)	(107,168)
Net cash generated from operating activities	923,840	592,530
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(1)	(1)
Proceeds from disposal of financial assets at amortized cost	33,500	-
Acquisition of financial assets at fair value through profit or loss	(626,000)	(592,000)
Proceeds from disposal of financial assets at fair value through profit or loss	626,048	592,095
Acquisition of property, plant and equipment	(30,155)	(24,601)
Increase in refundable deposits	(9)	(18)
Acquisition of intangible assets	(19,475)	(21,148)
Increase in prepayments for equipment	(50)	-
Dividends received	1,210	291
Net cash used in investing activities	(14,932)	(45,382)

(Continued)

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

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 FINANCING ACTIVITIES		
Increase in short-term bank loans	$ 20,000	$ -
Decrease in short-term bank loans	(20,000)	-
Repayment of the principal portion of lease liabilities	(3,035)	(3,022)
Dividends paid	(519,866)	(593,780)
Exercise of employee share options	71,823	13,982
Increase in non-controlling interests	35,000	-
Interest paid	(165)	(179)
Net cash used in financing activities	(416,243)	(582,999)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(2,412)	(2,294)
NET INCREASE (DECREASE) IN CASH	490,253	(38,145)
CASH AT THE BEGINNING OF THE YEAR	1,263,858	1,302,003
CASH AT THE END OF THE YEAR	$ 1,754,111	$ 1,263,858

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

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

1. GENERAL INFORMATION

eMemory Technology Inc. (the "Company") was incorporated in Hsinchu City, Republic of China, and commenced business in September 2000. The Company's main business activities include researching, developing, manufacturing and selling embedded flash memory products, etc.

The Company's shares have been listed on the Taipei Exchange (TPEx) since January 2011.

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 board of directors and authorized for issue on February 24, 2021.

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

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

   The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have material impact on the accounting policies of the Company and entities controlled by the Company (collectively, the "Group").

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

New, Amended or Revised Standards and Interpretations	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
Amendment to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020

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

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)

(Continued)

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

(Concluded)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: 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.

Note 6: 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 7: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the above 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 shareholders 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 amount 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 shareholders of the Company.

See Note 10 and Table 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, 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 Group' s foreign operations (including subsidiaries, associates, joint ventures and branches in other countries or those that use currencies which are different from the currency of the Group) 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; and 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 shareholders of the Company and non-controlling interests as appropriate).

f. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in associates are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

g. Property, plant and equipment

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) The intention to complete the intangible asset and use or sell it;

c) The ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when such an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets are measured on the same basis as intangible assets that are acquired separately.

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.

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

At the end of each reporting period, the Group reviews the carrying amount of its property, plant and equipment, right-of-use assets and intangible assets for any indication of 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 a corporate asset, the asset is tested for impairment in the context of the cash-generating unit (CGU) to which the asset belongs. If a portion of the carrying amount of the asset can be allocated on a reasonable and consistent basis to the CGU, the Group compares the carrying amount of the CGU, including the portion of the asset’s carrying amount allocated to the CGU, with the recoverable amount of the CGU to which the asset belongs. If this reasonable and consistent basis of allocation cannot be applied to the CGU to which the asset belongs and can be applied instead to the smallest group of CGUs to which the CGU belongs, this smallest group is used for impairment testing.

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

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, 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 on the asset, cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

i. 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, accounts receivable, other receivables and other current assets are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit-impaired on purchase or origination but 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.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash includes time deposits that are highly liquid, and readily convertible to a known amount of cash, and is subject to an insignificant risk of changes in value. The Group's cash is held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable. 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.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

Equity instruments issued by the Group are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

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

The 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, issuance or cancellation of the Group's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Revenue recognition

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

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Licensing revenue

a) Technical service revenue

The Group identifies performance obligations from contracts with customers and recognizes revenue when performance obligations are satisfied.

b) Royalty revenue

Revenue received from the intellectual property that remains operational without renewal or technical support is royalty revenue. When customers use the intellectual property in mass production at the foundries, the royalty prices are determined based on the production volume, sales amount or other methods of measurement; and revenue is recognized in accordance with the terms of the arrangements.

l. Leases

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

1) The Group as lessor

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

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

Lease payments receivable less any lease incentives payable on operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Lease modifications that resulted from negotiations with a lessee are accounted for as a new lease from the effective date of modification.

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, less any lease incentives received, and plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments. 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 a lease term resulting from a change in future lease payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

m. Borrowing costs

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

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary conditions are that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic basis over the useful lives of the related 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.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Other long-term employee benefits

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

p. Share-based payment arrangements

Employee share options granted

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

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

q. Taxation

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

1) Current tax

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

According to the Income Tax Law in the ROC, 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 amount 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 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 assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes

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 AND UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amount 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 has considered the economic implications of the COVID-19 pandemic on critical accounting estimates and will continue evaluating the impact on its financial position and financial performance as result of the pandemic.

Critical Accounting Judgements

a. Business model assessment for financial assets

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated and the risks that affect the performance of the assets. The Group monitors financial assets measured at amortized cost when assets are derecognized prior to their maturity, the Group understands the reasons for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model such that a prospective change to the classification of those assets is proper.

b. Lease terms

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

Key Sources of Estimation and Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of accounts receivables (including related parties) is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions and industrial economic trends. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Lessees' incremental borrowing rates

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

6. CASH

	December 31	
	2020	2019
Bank deposits	$ 1,754,076	$ 1,263,823
Cash on hand	35	35
	$ 1,754,111	$ 1,263,858

The market rates of cash in bank at the end of the reporting period were as follows:

	December 31	
	2020	2019
Bank deposits	0.02%-2.65%	0.001%-2.75%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
Non-current		
Investments in equity instruments at FVTOCI	$ 21,037	$ 15,530
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - Powerchip Semiconductor Manufacturing Corporation	$ 9,384	$ -
Unlisted shares		
Ordinary shares - Powerchip Technology Corporation	4,323	8,540
Ordinary shares - Syntronix Corporation	7,330	6,990
	$ 21,037	$ 15,530

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

In the year ended December 31, 2020, Powerchip Technology Corporation reduced its capital, and its shareholders were issued one ordinary share of Powerchip Semiconductor Manufacturing Corporation for each share of the reduction.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
Non-current		
Domestic investments		
Time deposits with original maturities of more than 1 year	$ -	$ 33,500
Pledged time deposits	114	113
	$ 114	$ 33,613

a. The interest rates of time deposits were approximately 0.765% and 1.015%-1.09% per annum as of December 31, 2020 and 2019, respectively.

b. Refer to Note 26 for information relating to the credit risk management and impairment of financial assets at amortized cost.

c. Refer to Note 28 for information relating to investments in financial assets at amortized cost pledged as security.

9. ACCOUNTS RECEIVABLE, NET

	December 31	
	2020	2019
Accounts receivable	$ 129,410	$ 133,917
Less: Allowance for impairment loss	(11,961)	(7,105)
	$ 117,449	$ 126,812

The average credit term was 30 to 60 days; and no interest was charged on accounts receivable. The Group uses other publicly available financial information or its own 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.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The lifetime expected credit losses are estimated considering the past default experience and current financial position of the customers as well as industrial economic conditions. The Group's expected credit loss rates are set by individual customer based on historical credit loss experience.

The Group writes off an account 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 accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

December 31, 2020

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	$ 108,860	$ 15,726	$ 4,824	$ -	$ -	$ 129,410
Loss allowance (lifetime ECL)	(6,223)	(3,560)	(2,178)	-	-	(11,961)
Amortized cost	$ 102,637	$ 12,166	$ 2,646	$ -	$ -	$ 117,449

December 31, 2019

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	$ 109,000	$ 6,146	$ 14,214	$ 1,679	$ 2,878	$ 133,917
Loss allowance (lifetime ECL)	(1,559)	(1,349)	(1,919)	(839)	(1,439)	(7,105)
Amortized cost	$ 107,441	$ 4,797	$ 12,295	$ 840	$ 1,439	$ 126,812

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 7,105	$ 10,089
Add: Net remeasurement of loss allowance	4,856	-
Less: Net remeasurement of loss allowance	-	(2,984)
Balance at December 31	$ 11,961	$ 7,105

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2020	Proportion of Ownership (%) December 31 2019	Remark
eMemory Technology Inc.	PUFsecurity Corporation	Product designing, software services, data processing services, intellectual property, etc.	90.91%	100%	1
PUFsecurity Corporation	PUFsecurity USA Corporation	Sales promotion	100%	-	2

Remarks:

1) eMemory Technology Inc. invested in and established PUFsecurity Corporation in May 2019. The authorized capital and the total paid-in capital of PUFsecurity Corporation were NT$500,000 thousand and NT$50,000 thousand, respectively, divided into 50,000 thousand shares with a par value of NT$1. PUFsecurity Corporation increased its capital by issuing 27,000 thousand shares with a par value of NT$5 in October 2020, and the paid in capital increased to NT$77,000 thousand, which was divided into 77,000 thousand shares with a par value of NT$1. The Company subscribed for 20,000 thousand shares in cash for NT$100,000 thousand, but did not subscribe for the shares in accordance with its

original shareholding proportion, which caused its the proportion of ownership to decrease from 100% to 90.91%.

2) PUFsecurity Corporation invested and established PUFsecurity USA Corporation in July 2020. Its current investment is US$270 thousand, divided into 270 shares with a par value of US$1 thousand.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates

	December 31	
	2020	2019
Associates that is not individually material		
iMQ Technology Inc.	$ 5,517	$ 5,382

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	2020	2019
iMQ Technology Inc.	2.71%	3.38%

In October 2020, the Company did not subscribe for the shares of iMQ Technology Inc. in accordance with its original shareholding proportion, which caused its proportion of ownership to decrease from 3.38% to 2.71%.

	For the Year Ended December 31	
	2020	2019
The Company's share of :		
Loss from continuing operations	$ (3,444)	$ (4,336)
Other comprehensive loss	(1)	(4)
Total comprehensive loss for the period	$ (3,445)	$ (4,340)

Although the shareholding ratio is less than 20%, the Company is able to exercise significant influence over iMQ Technology Inc. since the chairman of the Company is the same person as the chairman of iMQ Technology Inc. and the Company acts as the director of iMQ Technology Inc.

For information about the nature of business, main operating location and country of incorporation of the associate, refer to Table 4.

The investments in the associates accounted for using the equity method, and the share of profit or loss and other comprehensive income (loss) of those investments for the years ended December 31, 2020 and 2019 was based on the associate's financial statements which have been audited for the same years.

12. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2020	2019
Assets used by the Group	$ 437,399	$ 446,708
Assets leased under operating leases	29,994	30,463
	$ 467,393	$ 477,171

a. Assets used by the Group

	Freehold Land	Buildings	Research and Development Equipment	Office Equipment	Total
Cost					
Balance at January 1, 2020	$ 113,730	$ 359,987	$ 106,904	$ 9,804	$ 590,425
Additions	-	4,320	23,118	2,990	30,428
Disposals	-	(157)	(12,998)	(786)	(13,941)
Balance at December 31, 2020	$ 113,730	$ 364,150	$ 117,024	$ 12,008	$ 606,912
Accumulated depreciation					
Balance at January 1, 2020	$ -	$ 82,264	$ 57,847	$ 3,606	$ 143,717
Depreciation expense	-	10,935	26,367	2,400	39,702
Disposals	-	(157)	(12,963)	(786)	(13,906)
Balance at December 31, 2020	$ -	$ 93,042	$ 71,251	$ 5,220	$ 169,513
Carrying amount at December 31, 2020	$ 113,730	$ 271,108	$ 45,773	$ 6,788	$ 437,399
Cost					
Balance at January 1, 2019	$ 124,019	$ 383,910	$ 102,728	$ 10,451	$ 621,108
Additions	-	3,751	16,550	2,920	23,221
Disposals	-	(3,747)	(12,374)	(3,567)	(19,688)
Transfers to assets leased under operating leases	(10,289)	(23,927)	-	-	(34,216)
Balance at December 31, 2019	$ 113,730	$ 359,987	$ 106,904	$ 9,804	$ 590,425
Accumulated depreciation					
Balance at January 1, 2019	$ -	$ 78,766	$ 45,500	$ 5,309	$ 129,575
Depreciation expense	-	10,529	24,721	1,864	37,114
Disposals	-	(3,747)	(12,374)	(3,567)	(19,688)
Transfers to assets leased under operating leases	-	(3,284)	-	-	(3,284)
Balance at December 31, 2019	$ -	$ 82,264	$ 57,847	$ 3,606	$ 143,717
Carrying amount at December 31, 2019	$ 113,730	$ 277,723	$ 49,057	$ 6,198	$ 446,708

b. Assets leased under operating leases

	Freehold Land	Buildings	Total
Cost			
Balance at January 1, and December 31, 2020	$ 10,289	$ 23,927	$ 34,216
Accumulated depreciation			
Balance at January 1, 2020	$ -	$ 3,753	$ 3,753
Depreciation expense	-	469	469
Balance at December 31, 2020	$ -	$ 4,222	$ 4,222
Carrying amount at December 31, 2020	$ 10,289	$ 19,705	$ 29,994
Cost			
Balance at January 1, 2019	$ -	$ -	$ -
Transfers from assets used by the Group	10,289	23,927	34,216
Balance at December 31, 2019	$ 10,289	$ 23,927	$ 34,216
Accumulated depreciation			
Balance at January 1, 2019	$ -	$ -	$ -
Transfers from assets used by the Group	-	3,284	3,284
Depreciation expense	-	469	469
Balance at December 31, 2019	$ -	$ 3,753	$ 3,753
Carrying amount at December 31, 2019	$ 10,289	$ 20,174	$ 30,463

Operating leases are related to leases of buildings with lease terms between 1 and 3 years. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31	
	2020	2019
Year 1	$ 1,696	$ 3,363
Year 2	-	1,666
	$ 1,696	$ 5,029

There was no indication of impairment for the years ended December 31, 2020 and 2019.

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

Buildings	
Office main buildings	35-50 years
Electrical power equipment	5-10 years
Air-conditioning equipment	5-8 years
Extinguishment equipment	5 years
Research and development equipment	3-8 years
Office equipment	3-5 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	**2019**
Carrying amount		
Buildings	$ 3,033	$ 5,679
Office equipment	-	15
Transportation equipment	319	1,593
	$ 3,352	$ 7,287

	For the Year Ended December 31	
	2020	**2019**
Additions to right-of-use assets	$ 53	$ 1,396
Depreciation charge for right-of-use assets		
Buildings	$ 1,746	$ 1,790
Office equipment	15	30
Transportation equipment	1,274	1,275
	$ 3,035	$ 3,095
Income from the subleasing of right-of-use assets (presented in other income)	$ (1,254)	$ (1,301)

b. Lease liabilities

	December 31	
	2020	**2019**
Carrying amount		
Current	$ 1,340	$ 3,114
Non-current	$ 2,073	$ 4,246

Discount rates for lease liabilities were as follows:

	December 31	
	2020	2019
Buildings	1.68%	1.68%
Office equipment	-	3.05%
Transportation equipment	3.25%	3.25%

c. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	$ 1,484	$ 1,444
Total cash outflow for leases	$ (4,519)	$ (4,466)

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

14. INTANGIBLE ASSETS

	Patents	Software	Trademarks	Total
Cost				
Balance at January 1, 2020	$ 129,023	$ 9,598	$ 3,130	$ 141,751
Additions	17,364	2,062	49	19,475
Disposals	(540)	(2,320)	(69)	(2,929)
Reclassification	-	-	(110)	(110)
Balance at December 31, 2020	$ 145,847	$ 9,340	$ 3,000	$ 158,187
Accumulated amortization				
Balance at January 1, 2020	$ 60,958	$ 4,551	$ 2,437	$ 67,946
Amortization expense	13,473	2,616	267	16,356
Disposals	(540)	(2,320)	(69)	(2,929)
Balance at December 31, 2020	$ 73,891	$ 4,847	$ 2,635	$ 81,373
Carrying amount at December 31, 2020	$ 71,956	$ 4,493	$ 365	$ 76,814
Cost				
Balance at January 1, 2019	$ 112,921	$ 11,695	$ 4,418	$ 129,034
Additions	18,169	2,801	178	21,148
Disposals	(2,067)	(4,898)	(1,466)	(8,431)
Balance at December 31, 2019	$ 129,023	$ 9,598	$ 3,130	$ 141,751

(Continued)

	Patents	Software	Trademarks	Total
Accumulated amortization				
Balance at January 1, 2019	$ 51,793	$ 6,556	$ 3,523	$ 61,872
Amortization expense	11,222	2,893	380	14,495
Disposals	(2,057)	(4,898)	(1,466)	(8,421)
Balance at December 31, 2019	$ 60,958	$ 4,551	$ 2,437	$ 67,946
Carrying amount at December 31, 2019	$ 68,065	$ 5,047	$ 693	$ 73,805

(Concluded)

The Group's major products are NeoBit®, NeoFuse®, NeoPUF®, NeoEE® and NeoMTP®, etc. There are 1,106 patents currently owned or pending approval for the products mentioned above. According to the requirements of IAS 38, the research and development costs were recognized as research and development expenses, instead of capitalized, in the periods when incurred. The costs of the patents and the trademarks mentioned above were the costs of the relevant fees and professional service expenses for legal right applications.

The above intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives as follows:

Patents	5 years
Software	3 years
Trademarks	5 years

15. OTHER ASSETS

	December 31	
	2020	2019
Current		
Prepayments		
Prepayments for software	$ 13,438	$ 10,979
Prepayments for annual fee on the patents	5,557	4,866
Prepayments for software maintenance	928	1,503
Others	3,788	2,124
	$ 23,711	$ 19,472
Other assets		
Temporary payments	$ 3,262	$ 4,275

16. OTHER LIABILITIES

	December 31 2020	December 31 2019
Current		
Other payables		
Bonuses	$ 97,068	$ 45,126
Payable for annual leave	5,177	3,436
Payable for professional service fees	1,748	1,526
Others	32,597	30,826
	$ 136,590	$ 80,914
Other liabilities		
Receipt under custody	$ 1,331	$ 1,159
Receipts in advance	785	550
Temporary receipts	18	22
	$ 2,134	$ 1,731

17. 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, an entity 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 Law 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	December 31 2019
Present value of funded defined benefit obligation	$ 32,106	$ 31,041
Fair value of plan assets	(10,873)	(9,657)
Net defined benefit liabilities	$ 21,233	$ 21,384

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	$ 28,793	$ (8,459)	$ 20,334
Net interest expense (income)	396	(122)	274
Recognized in profit or loss	396	(122)	274
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(248)	(248)
Actuarial loss (gain)			
Changes in demographic assumptions	375	-	375
Changes in financial assumptions	1,630	-	1,630
Experience adjustments	(153)	-	(153)
Recognized in other comprehensive loss (income)	1,852	(248)	1,604
Contributions from the employer	-	(828)	(828)
Balance at December 31, 2019	31,041	(9,657)	21,384
Net interest expense (income)	310	(100)	210
Recognized in profit or loss	310	(100)	210
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(277)	(277)
Actuarial loss (gain)			
Changes in financial assumptions	2,147	-	2,147
Experience adjustments	(1,392)	-	(1,392)
Recognized in other comprehensive loss (income)	755	(277)	478
Contributions from the employer	-	(839)	(839)
Balance at December 31, 2020	$ 32,106	$ (10,873)	$ 21,233

Through the defined benefit plans under the Labor Standards Law, 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 plans' 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	0.50%	1.00%
Expected rate of salary increase	4.00%	4.00%

If possible reasonable changes 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:

	December 31	
	2020	2019
Discount rate		
0.25% increase	$ (1,096)	$ (1,102)
0.25% decrease	$ 1,145	$ 1,152
Expected rate of salary increase		
0.25% increase	$ 1,090	$ 1,103
0.25% decrease	$ (1,051)	$ (1,061)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes 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 plans for the next year	$ 868	$ 863
Average duration of the defined benefit obligation	13.9 years	14.5 years

18. EQUITY

a. Ordinary shares

	December 31	
	2020	2019
Numbers of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	76,060	75,834
Shares issued	$ 760,592	$ 758,336

For the year ended December 31, 2020, the shares increased due to the employees' exercise of their employee share options.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Arising from issuance of ordinary shares	$ 245,368	$ 287,201
May be used to offset a deficit only		
Arising from changes in percentage of ownership interests in subsidiaries (2)	24,629	-
Arising from share of changes in capital surplus of associates (2)	48,640	45,060
Arising from issuance of ordinary-exercised/invalid employee share options	43,590	9,160
May not be used for any purpose		
Arising from employee share options	29,680	63,025
	$ 391,907	$ 404,446

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 effects of changes in ownership interests in subsidiaries and associates resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries and associates accounted for using the equity method.

c. Retained earnings and dividend policy

Based on the Company's Articles of Incorporation state that, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 21 (g).

The Company shall distribute dividend with considerations of the market situation and development stage, as well as future capital needs, long-term corporate development and the shareholders' cash flow needs. Based on the Company's dividend policy, in principle, the total dividends distributed shall not be less than 50% of distributable earnings, of which at least 10% will be paid as cash dividend and the remainder will be in the form of stock dividend. The board of directors shall map out the distribution proposal in consideration of future operation and capital expenditure, and present the proposal at the shareholders' meeting for approval.

An 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 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 had been approved in the shareholders' meetings on June 10, 2020 and June 13, 2019, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2019	2018
Legal reserve	$ 54,047	$ 61,311
Special reserve	$ 3,654	$ 61,006
Cash dividends	$ 408,466	$ 556,678
Cash dividends per share (NT$)	$ 5.50	$ 7.50

The Company's shareholders also resolved to issue cash dividends from the capital surplus of $111,400 thousand and $37,112 thousand in the shareholders' meetings on June 10, 2020 and June 13, 2019, respectively.

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on February 24, 2021. The appropriations and dividends per share were as follows:

	For the Year Ended December 31, 2020
Legal reserve	$ 70,752
Special reserve	$ (5,485)
Cash dividends	$ 558,792
Cash dividends per share (NT$)	$ 7.50

Issuance of cash dividends from capital surplus of $111,759 thousand had also been proposed by the Company's board of directors on February 24, 2021.

The appropriations of earnings for 2020 are subject to the resolution of the shareholders in their meeting to be held on June 10, 2021.

d. Other equity items

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ (4)	$ -
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	(21)	-
Share from associates accounted for using the equity method	(1)	(4)
Other comprehensive loss recognized for the year	(22)	(4)
Balance at December 31	$ (26)	$ (4)

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ (65,582)	$ (61,932)
Recognized for the year		
Unrealized gain (loss) - equity instruments	5,507	(3,650)
Other comprehensive income (loss) recognized for the year	5,507	(3,650)
Balance at December 31	$ (60,075)	$ (65,582)

e. Non-controlling interests

	For the Year Ended December 31, 2020
Balance at January 1	$ -
Change in percentage of ownership interests in subsidiaries	(24,629)
Share in loss for the year	(1,154)
Other comprehensive loss during the year	
Exchange differences on the translation of the financial statements of foreign operations	(3)
Share-based payments	158
Non-controlling interests	35,000
Balance at December 31	$ 9,372

f. Treasury shares

Unit: In Thousands of Shares

Purpose of Buy-Back	Number of Shares at January 1	Increase During the Year	Decrease During the Year	Number of Shares at December 31
2020				
Shares transferred to employees	1,567	-	-	1,567
2019				
Shares transferred to employees	1,567	-	-	1,567

In September 2018, for the purpose of transferring shares to its employees, the Company's board of directors resolved to buy back 2,500 thousand shares of the Company's ordinary shares from the TPEx market from September 14, 2018 to November 13, 2018 with the price interval ranging from NT$177.80 to NT$400 per share. The Company has bought back 1,567 thousand shares with total cost of NT$404,238 thousand.

In March 2020, for the purpose of transferring shares to its employees, the Company's board of directors resolved to buy back 1,000 thousand shares of the Company's ordinary shares from the TPEx market from March 20, 2020 to May 19, 2020 with the price interval ranging from NT$111.65 to NT$319 per share. As of May 19, 2020, none shares have been bought back.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

19. SHARE-BASED PAYMENTS

Employee share option plan of the Company

Qualified employees of the Company were granted 500 options in February 2016. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the TPEx on the grant date. For any subsequent changes in the Company's ordinary shares or for any cash dividends issued in excess of the ratio required in the issuance rule, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	For the Year Ended December 31			
	2020		2019	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	420	$ 324.2	470	$ 331.6
Options exercised	(226)	318.4	(43)	326.7
Options forfeited	-	-	(7)	324.2
Balance at December 31	194	318.4	420	324.2
Options exercisable, end of period	194	318.4	231	324.2

The weighted-average share prices on the exercise date of the share options for the year ended December 31, 2020 and 2019 were $531 and $369, respectively.

Information on outstanding options is as follows:

	December 31	
	2020	2019
Range of exercise price (NT$)	$ 318.4	$ 324.2
Weighted-average remaining contractual life (in years)	5.15	6.15

Options granted in February 2016 were priced using the Black-Scholes pricing model and the inputs of the model were as follows:

Grant-date share price (NT$)	$ 351
Exercise price (NT$)	$ 351
Expected volatility	43.24%
Expected life (in years)	6-7
Expected dividend yield	-
Risk-free interest rate	0.71-0.75%

Compensation cost recognized were NT$1,085 thousand and NT$7,791 thousand for the year ended December 31, 2020 and 2019, respectively.

Qualified employees of PUFsecurity Corporation were granted 9,337 options in January 2020. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 3 years and exercisable at certain percentages one year after the grant date. The options were granted at an exercise price of NT$1. For any subsequent changes in the Company's ordinary shares, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	For the Year Ended December 31, 2020	
	Number of Options (In Thousands)	**Weighted-average Exercise Price (NT$)**
Balance at January 1	-	$ -
Options granted	9,337	1
Options forfeited	(63)	1
Balance at December 31	9,274	1
Options exercisable, end of period	-	-
Weighted-average fair value of options granted (NT$)	$ 0.025	-

Information on outstanding options is as follows:

	December 31, 2020
Range of exercise price (NT$)	$ 1
Weighted-average remaining contractual life (in years)	2.03 years

Options granted in January 2020 were priced using the Black-Scholes pricing model and the inputs of the model were as follows:

Grant-date share price (NT$)	$ 0.43
Exercise price (NT$)	$ 1
Expected volatility	47.84-48.23%
Expected life (in years)	2-2.5
Expected dividend yield	-
Risk-free interest rate	0.5-0.52%

Compensation cost recognized was NT$158 thousand for the year ended December 31, 2020.

Qualified employees of PUFsecurity Corporation were granted 10,663 options in July 2020. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 3 years and exercisable at certain percentages one year after the grant date. The options were granted at an exercise price of NT$1. For any subsequent changes in the Company's ordinary shares, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	For the Year Ended December 31, 2020	
	Number of Options (In Thousands)	**Weighted-average Exercise Price (NT$)**
Balance at January 1	-	$ -
Options granted	10,663	1
Options forfeited	(36)	1
Balance at December 31	10,627	1
Options exercisable, end of period	-	-
Weighted-average fair value of options granted (NT$)	$ -	-

Information on outstanding options is as follows:

	December 31, 2020
Range of exercise price (NT$)	$ 1
Weighted-average remaining contractual life (in years)	2.52

Options granted in July 2020 were priced using the Black-Scholes pricing model and the inputs of the model were as follows:

Grant-date share price (NT$)	$ 0.04
Exercise price (NT$)	$ 1
Expected volatility	50.07-50.68%
Expected life (in years)	2-2.5
Expected dividend yield	-
Risk-free interest rate	0.25-0.27%

Compensation cost recognized was NT$0 thousand for the year ended December 31, 2020.

In August 2020, PUFsecurity Corporation issued shares, out of which some were reserved for employees' subscription. The Black-Scholes pricing model was used to price the shares, which was also used to calculate the compensation costs as NT$0; the inputs of the model were as follows:

Grant-date share price (NT$)	$ 1.29
Exercise price (NT$)	$ 5
Expected volatility	60.19%
Expected life	34 days
Expected dividend yield	-
Risk-free interest rate	0.24%

20. REVENUE

	For the Year Ended December 31	
	2020	2019
Royalty revenue	$ 1,286,548	$ 979,822
Technical service revenue	490,105	430,263
	$ 1,776,653	$ 1,410,085

a. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable (Note 9)	$ 117,449	$ 126,812	$ 158,335
Contract liabilities			
Technical service revenue	$ 50,802	$ 32,837	$ 37,822

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

Revenue of the reporting period recognized from the beginning contract liabilities in the previous periods is as follows:

	For the Year Ended December 31	
	2020	2019
From contract liabilities at the beginning of the year		
Technical service revenue	$ 20,576	$ 25,764

b. Partially completed contracts

	For the Year Ended December 31	
	2020	2019
Domestic	$ 1,040,843	$ 805,649
Asia	662,426	526,737
Others	73,384	77,699
	$ 1,776,653	$ 1,410,085

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposits	$ 7,601	$ 9,631

b. Other income

	For the Year Ended December 31	
	2020	2019
Rental income	$ 4,657	$ 4,696
Dividend income	1,210	291
Remuneration of directors received	-	5,142
	$ 5,867	$ 10,129

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Government grant income (Note 24)	$ 17,349	$ 1,691
Net foreign exchange loss	(19,083)	(5,290)
Others	84	215
	$ (1,650)	$ (3,384)

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on lease liabilities	$ 105	$ 179
Interest on bank loans	54	-
Other	6	-
	$ 165	$ 179

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
An analysis of depreciation by function		
Operating expenses	$ 43,206	$ 40,678
An analysis of amortization by function		
Selling and marketing expenses	$ -	$ -
General and administrative expenses	1,807	1,944
Research and development expenses	14,549	12,551
	$ 16,356	$ 14,495

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Post-employment benefits (Note 17)		
Defined contribution plans	$ 17,892	$ 16,387
Defined benefit plans	210	274
	18,102	16,661
Share-based payments (Note 19)		
Equity-settled	1,243	7,791
Other employee benefits	741,071	584,092
	$ 760,416	$ 608,544
An analysis of employee benefits expense by function		
Operating expenses	$ 760,416	$ 608,544

g. 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 1-25% and no higher than 2%, 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 February 24, 2021 and February 19, 2020, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Employees' compensation	15%	15%
Remuneration of directors	1.5%	1.5%

Amount

	For the Year Ended December 31	
	2020	2019
Employees' compensation	$ 149,452	$ 113,746
Remuneration of directors	$ 14,945	$ 11,374

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

There 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, 2019 and 2018.

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

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	$ 125,703	$ 91,829
Adjustments for prior years	(1,165)	9
	124,538	91,838
Deferred tax		
In respect of the current year	(588)	(726)
Income tax expense recognized in profit or loss	$ 123,950	$ 91,112

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

	For the Year Ended December 31	
	2020	2019
Profit before tax	$ 830,795	$ 633,184
Income tax expense calculated at the statutory rate	$ 166,390	$ 126,637
Nondeductible expenses in determining taxable income	12,335	5,333
Tax-exempt income	(126,586)	(84,175)
Additional income tax under the Alternative Minimum Tax Act	54,464	31,304
Unrecognized deductible temporary differences and investment credits	18,512	12,004
Adjustments for prior years' tax	(1,165)	9
Income tax expense recognized in profit or loss	$ 123,950	$ 91,112

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.

b. Current tax liabilities

	December 31	
	2020	2019
Current tax liabilities		
Income tax payable	$ 87,696	$ 56,576

c. Deferred tax assets

The movements of deferred tax assets was as follows:

For the Year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Temporary differences	$ 3,434	$ 588	$ 4,022

For the Year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Temporary differences	$ 2,708	$ 726	$ 3,434

d. Information about tax-exemption

As of December 31, 2020, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

Expansion of Construction Project	Tax-exemption Period
Sixth expansion of the manufacturing plant	January 1, 2016-December 31, 2020

e. Income tax assessments

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

23. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	$ 9.52	$ 7.30
Diluted earnings per share	$ 9.47	$ 7.26

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

Net Profit for the Year

	For the Year Ended December 31	
	2020	2019
Earnings used in the computation of basic earnings per share	$ 707,999	$ 542,072
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Employee share options	-	-
Earnings used in the computation of diluted earnings per share	$ 707,999	$ 542,072

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 used in the computation of basic earnings per share	74,372	74,247
Effect of potentially dilutive ordinary shares:		
Employees' compensation	297	387
Employee share options	55	14
Weighted average number of ordinary shares used in the computation of diluted earnings per share	74,724	74,648

Since the Company can offer to settle bonus to employees in cash or shares, the Company assumes the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

24. GOVERNMENT GRANTS

The Company applied for AI on chip R&D subsidy program "The Industrial Technology Foresight Research Program of Reconfigurable Analog Artificial Intelligence Chip", proposed by the Ministry of Economic Affairs, and the program was approved on December 18, 2019. The total funds approved amounted to NT$85,750 thousand, and the subsidies amounted to NT$34,300 thousand. As of December 31, 2020, the accumulated government grants income recognized was NT$19,040 thousand. The collateral provided by the Group included cashier checks whose drawees are banking industries and guarantee letters and the amounts were NT$34,300 thousand and NT$19,576 thousand, respectively.

25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue a going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy has no significant changes.

The capital structure of the Group consists of issued ordinary shares, capital surplus, retained earnings and other equity.

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

26. FINANCIAL INSTRUMENTS

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

   The management believes the carrying amount of financial assets and financial liabilities not carried at fair value approximate their fair values or their fair values cannot be reliably measured.

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

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Listed shares and emerging market shares	$ -	$ -	$ 9,384	$ 9,384
Unlisted shares	-	-	11,653	11,653
	$ -	$ -	$ 21,037	$ 21,037

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	$ -	$ -	$ 15,530	$ 15,530

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

	Financial Assets at FVTOCI	
	Equity Instruments	
Financial Assets	2020	2019
Balance at January 1	$ 15,530	$ 19,180
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	5,507	(3,650)
Balance at December 31	$ 21,037	$ 15,530

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

Financial Instruments	Valuation Techniques and Inputs
Unlisted shares - ROC	The fair value of the shares is estimated based on the balance sheet accounts of the target company, or by comparing the balance sheet or income statement accounts of comparable listed companies and calculating the implied value multiplier in the stock price.

c. Categories of financial instruments

	December 31	
	2020	2019
Financial assets		
Financial asset at amortized cost (Note 1)	$ 1,875,311	$ 1,430,865
Investment in equity instrument at FVTOCI	21,037	15,530
Financial liabilities		
Amortized cost (Note 2)	26,766	26,326

Note 1: The balances include financial assets measured at amortized cost, which comprise cash, accounts receivable, other receivables, other receivables-related parties and other current assets.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise other payables and payables on equipment.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity investments, accounts receivable, lease liabilities and other payables. The Group's corporate financial management 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 currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group's main financial plans are reviewed by the board of directors in accordance with relevant regulations and internal control system.

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).

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

a) Foreign currency risk

The Group's operating activities are partially denominated in foreign currencies and apply the natural hedge. The purpose of the Group's management of the foreign currency risk is to hedge the risk instead of making a profit.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 29.

Sensitivity analysis

The Group is mainly exposed to the exchange rate fluctuations of the USD, CNY and JPY.

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 number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative. The sensitivity analysis included cash, accounts receivable, other receivables, payables on equipment and other payables.

	USD Impact For the Year Ended December 31		CNY Impact For the Year Ended December 31		JPY Impact For the Year Ended December 31	
	2020	2019	2020	2019	2020	2019
Profit or loss	$ 8,429	$ 10,367	$ 453	$ 434	$ -	$ 20

b) Interest rate risk

The Group is exposed to interest rate risk arising from financial assets at both fixed and floating interest rates.

The carrying amount of the Group’s financial assets with exposure to interest rates at the end of the reporting periods were as follows.

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	$ 1,316,038	$ 804,513
Cash flow interest rate risk		
Financial assets	438,152	492,923

Sensitivity analysis

The sensitivity analyses below are determined based on the Group’s exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of the asset outstanding at the end of the reporting period was outstanding for the whole year.

If the market interest rates had increased/decreased by 0.1% 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 $438 thousand and $493 thousand, respectively, mainly due to the Group’s exposure to floating interest rate assets.

2) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations and result in financial loss to the Group. As at the end of the reporting period, the Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation mainly arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In order to minimize credit risk, the Group has made credit and receivable management regulations to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group’s credit risk was significantly reduced.

The credit risk on liquid funds was limited because the counterparties are banks with good credit.

Apart from the customers whose balances exceeded 5% of the accounts receivable, the Group did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The customers whose balances exceeded 5% of the accounts receivable are creditworthy counterparties. Therefore, the credit risk is limited.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Liquidity and interest risk rate tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had 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 tables included both interest and principal cash flows.

December 31, 2020

	On Demand or Less than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1+Years**	**Total**
Non-derivative financial liabilities					
Non-interest bearing	$ 13,359	$ 13,101	$ 836	$ -	$ 27,296
Lease liabilities	198	396	790	2,106	3,490
	$ 13,557	$ 13,497	$ 1,626	$ 2,106	$ 30,786

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	**1-5 Years**	**5+ Years**
Lease liabilities	$ 1,384	$ 2,106	$ -

December 31, 2019

	On Demand or Less than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1+Years**	**Total**
Non-derivative financial liabilities					
Non-interest bearing	$ 8,808	$ 17,140	$ 908	$ -	$ 26,856
Lease liabilities	270	540	2,414	4,343	7,567
	$ 9,078	$ 17,680	$ 3,322	$ 4,343	$ 34,423

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5+ Years
Lease liabilities	$ 3,224	$ 4,343	$ -

27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Related Party Category
iMQ Technology Inc.	Associates
HeFeChip Corporation Limited	Substantive related parties
SecuX Technology Inc.	Substantive related parties
T.C. Chen	Key management personnel
Chris Lu	Key management personnel
Li-Jeng Chen	Key management personnel
Evans Yang	Key management personnel

b. Operating revenue

		For the Year Ended December 31	
Line Item	Related Party Category	2020	2019
Sales	Substantive related parties	$ 2,848	$ 1,815
	Associates	604	452
		$ 3,452	$ 2,267

The prices that the Group transferred and granted the professional technology to related parties were decided by the two sides. The payment term was open account 30 days.

c. Operating expense

		For the Year Ended December 31	
Line Item	Related Party Category	2020	2019
Other expense	Substantive related parties	$ -	$ 11

d. Other income

		For the Year Ended December 31	
Line Item	Related Party Category	2020	2019
Other income	Key management personnel	$ 50	$ 95

e. Finance costs

Line Item	Related Party Category	For the Year Ended December 31 2020	2019
Finance costs	Substantive related parties HeFeChip Corporation Limited	$ 5	$ -

f. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category	December 31 2020	2019
Other receivables - related parties	Substantive related parties HeFeChip Corporation Limited	$ 277	$ 410

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2020 and 2019, no impairment losses were recognized for trade receivables from related parties.

g. Other current liabilities

Line Item	Related Party Category	December 31 2020	2019
Receipt in advance	Substantive related parties HeFeChip Corporation Limited	$ 550	$ 550
Temporary receipt	Key management personnel	$ -	$ 10

h. Guarantee deposits received

Line Item	Related Party Category	December 31 2020	2019
Guarantee deposits received	Substantive related parties HeFeChip Corporation Limited	$ 520	$ 520

i. Lease arrangements

The Group is lessor under operating leases

The Group leases out offices, parking spaces and dormitories to its substantive related parties - HeFeChip Corporation Limited and key management personnel under operating leases with lease terms of 1 to 3 years. As of December 31, 2020 and 2019, the balance of the operating lease receivable was $1,666 thousand and $6,191 thousand, respectively. Lease income recognized for the years ended December 31, 2020 and 2019 was as follows:

Related Party Category	For the Year Ended December 31 2020	2019
Substantive related parties		
HeFeChip Corporation Limited	$ 3,343	$ 3,335
Key management personnel	201	357
	$ 3,544	$ 3,692

j. Compensation of key management personnel

The compensation to directors and the key management personnel were as follows:

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	$ 109,635	$ 81,131
Post-employment benefits	1,017	1,012
Share-based payment transactions	378	2,564
	$ 111,030	$ 84,707

The remuneration of directors and key management personnel, as determined by the remuneration committee, was based on the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Group were provided as deposits for the tariff of imported raw materials:

	December 31	
	2020	2019
Pledged time deposits (classified as financial assets a amortized cost)	$ 114	$ 113

29. 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:

(Foreign Currencies and Carrying Amount In Thousands)

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 5,932	28.480	$ 168,949
CNY	2,068	4.377	9,050
			$ 177,999
Financial liabilities			
Monetary items			
USD	13	28.480	$ 377

December 31, 2019

Financial assets	Foreign Currency	Exchange Rate	Carrying Amount
Monetary items			
USD	$ 6,916	29.980	$ 207,345
CNY	2,015	4.305	8,673
JPY	1,440	0.276	398
			$ 216,416

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

	For the Year Ended December 31			
	2020		2019	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	28.48 (USD:NTD)	$ 641	29.980 (USD:NTD)	$ (3,595)

30. SEPARATELY DISCLOSED ITEMS

Except for the following, the Group has no other significant transactions. In the preparation of the consolidated financial statements, major transactions between the parent and its subsidiaries and their balances have been completely eliminated.

a. Information about significant transactions and investees:

   1) Financing provided to others (Table 1)

   2) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities) (Table 2)

   3) Intercompany relationships and significant intercompany transactions. (Table 3)

b. Information on investees (Table 4)

c. Information on investments in mainland China (None)

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 (Table 5)

31. SEGMENT INFORMATION

a. Segment revenue, operating results and segment assets

   For Group’s chief operating decision maker reviews the operating results regularly for the purpose of resource allocation and performance assessment. The Group’s segments are aggregated into a single reportable segment.

The measurement basis of segment information presented to the chief operating decision maker is the same as that of the consolidated financial statements. The segment revenues and operating results for the years ended December 31, 2020 and 2019 can be found in the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019. The segment assets as of December 31, 2020 and 2019 can be found in the consolidated balance sheets as of December 31, 2020 and 2019.

b. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	For the Year Ended December 31	
	2020	2019
Royalty revenue	$ 1,286,548	$ 979,822
Technical service revenue	490,105	430,263
	$ 1,776,653	$ 1,410,085

c. Geographical information

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

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2020	2019	2020	2019
Domestic	$ 1,040,843	$ 805,649	$ 470,745	$ 484,458
Asia	662,426	526,737	-	-
Others	73,384	77,699	-	-
	$ 1,776,653	$ 1,410,085	$ 470,745	$ 484,458

Non-current assets include property, plant and equipment and right-of-use assets.

d. Information about major customers

Single customers contributing 10% or more to the Group's Royalty revenue were as follows:

	For the Year Ended December 31			
	2020	%	2019	%
Company A	$ 619,814	48	$ 519,446	53
Company B	162,530	13	133,873	14
Company C	151,726	12	84,829	9

TABLE 1

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 2)	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 3)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 4)	Aggregate Financing Limit (Note 4)	Note
													Item	Value			
0	The Company	PUFsecurity Corporation	Other receivables from related parties	Yes	$ 30,000	$ 30,000	$ -	1.315	2	$ -	Working capital	$ -	-	$ -	$ 199,627	$ 798,508	-

Note 1: The No. column is represented as follows:

1. 0 represents the issuer.
2. Investee companies are numbered starting from 1 based on company type.

Note 2: Financing limit approved by the board of directors.

Note 3: Nature of financing:

1. For business dealings
2. For short-term financing

Note 4: The Total Amount of Loans and the Limited Amount for Individuals

The total amount of funds lent by the Company shall not exceed 40% of the Company's net value; and the limited amounts of funds lent to the individuals are set forth below:

1. For companies or firms who have business relationship with the Company, the total amount of funds lent by the Company shall not exceed 40% of the Company's net value, and the amount lent to an individual shall be limited to the business amount between such individual and the Company within latest one year, and by basing on considering the risk, shall not exceed 10% of the Company's net value.

   The business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher.

2. The total amount of funds lent by the Company to companies or firms for the necessity of short-term financing shall not exceed 40% of the Company's net value, and the amount lent to an individual shall be limited to 10% of the Company's net value.
3. The limited amounts lent to an individual by the Company, except being restricted pursuant to ponit 1 and 2, shall also not exceed 30% of the borrower's net value, but this restriction shall not apply to the circumstance of loaning of funds to the subsidiaries of the Company.
4. The financial report of the Company is prepared according to the International Financial Reporting Standards; and the net value mentioned herein is defined as the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The net value shall be calculated based on the latest financial statements certified or reviewed by a certified public accountant.

TABLE 2

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

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 (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
The Company	Shares							
	Powerchip Semiconductor Manufacturing Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	461	$ 9,384	0.01	$ 9,384	Note 2
	Powerchip Technology Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	297	4,323	0.02	4,323	Note 2
	Syntronix Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	1,210	7,330	2.81	7,330	Note 2
	PowerFlash Technology Corp.	-	Financial assets at fair value through other comprehensive income - noncurrent	40	-	3.99	-	Note 2

Note 1: Marketable securities mentioned in the table include shares, bonds, beneficiary certificates and the derivative securities from aforementioned items, which is under the definition of IFRS 9.

Note 2: The market value was based on the fair value as of December 31, 2020.

Note 3: As of December 31, 2020, the above marketable securities had not been pledged or mortgaged.

TABLE 3

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	The Company	PUFsecurity Corporation	1	Sales	$ 1,442	-	-
			1	Contract liabilities	1,442	-	-
			1	Other receivables - related parties	641	-	-
			1	Other income	1,416	-	-
1	PUFsecurity Corporation	PUFsecurity USA Corporation	3	Other receivables - related parties	1,623	-	-

Note 1: Information about intercompany relationships should be indicated in the “No.” column, and the method of filling in the number is as follows:

1. Parent Company is numbered as 0 in the “No.” column.

2. Subsidiaries are numbered sequentially according to their company name and the number starts from 1.

Note 2: There are three types of “Relationship”:

1. Parent company to subsidiaries

2. Subsidiaries to parent company

3. Subsidiaries to subsidiaries

Note 3: If financial statement accounts are classified as items in the balance sheets, the calculation of the ratio is that ending balance divides by total assets.If the financial statement accounts are classified as items in the income statement, the calculation of the ratio is that the accumulated amount in the interim period divides by total sales.

TABLE 4

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
The Company	PUFsecurity Corporation	Hsinchu County	Product designing, software services, data processing services, intellectual property, etc.	$ 150,000	$ 50,000	70,000	90.91	$ 92,717	$ (60,641)	$ (59,487)	Subsidiary
	iMQ Technology Inc.	Hsinchu City	Electronic parts and components manufacturing	27,900	27,900	2,057	2.71	5,517	(105,812)	(3,444)	Investment accounted for using the equity method
PUFsecurity Corporation	PUFsecurity USA Corporation	USA	Sales promotion	7,777	-	-	100	3,312	(4,441)	(4,441)	Subsidiary

TABLE 5

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

No.	Name	Shares	
		Number of Shares Held	Ownership Percentage
1	Government of Singapore	5,196,000	6.83%
2	SmallCap world Fund Inc.	4,314,334	5.67%
3	Fubon Life Insurance Co., Ltd.	3,885,000	5.10%

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current year. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
eMemory Technology Inc.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

The key audit matter of the Company's parent company only financial statements for the year ended December 31, 2020 is stated as follows:

1. Royalty fees are the Company's major source of revenue, refer to Note 19 for the related information. When the customers of Company, the IC design houses, uses the Company's intellectual property to reach mass production status, and the goods have been produced and shipped from the wafer foundries, the wafer foundries will pay royalty fees to the Company based on a certain percentage of the wafer price.

2. The Company recognizes royalty revenue based on the contract regulations, at the time the royalty reports are signed and returned. Hence, there is a risk that the royalty revenue from wafer foundries is not recognized in the correct accounting time period.

3. We confirmed the accuracy of timing of royalty revenue recognition by understanding the revenue recognition policy of the Company, assessing the reasonableness of the timing of revenue recognition, performing relevant tests of controls and analytical procedures, and selecting a certain number of royalty revenue transactions before and after the end of the reporting period and checking them against the relevant supporting documents and accounting records.

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

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

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yu-Feng Huang and Su-Li Fang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2021

<u>*Notice to Readers*</u>

The accompanying parent company only financial statements are intended only to present the parent company only financial position, parent company only financial performance and parent company only 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 parent company only financial statements are those generally applied in the Republic of China.

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

EMEMORY TECHNOLOGY INC.

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

ASSETS	2020 Amount	%	2019 Amount	%
CURRENT ASSETS				
Cash (Notes 4, 6 and 25)	$ 1,653,966	67	$ 1,234,930	61
Accounts receivable - net (Notes 4, 9, 19 and 25)	117,449	5	126,812	6
Accounts receivable - related parties (Notes 4, 19, 25 and 26)	-	-	787	-
Other receivables (Notes 4 and 25)	102	-	1,926	-
Other receivables - related parties (Notes 4, 25 and 26)	918	-	419	-
Prepayments (Note 14)	21,294	1	19,242	1
Other current assets (Notes 4, 14, 25 and 26)	3,262	-	4,278	-
Total current assets	1,796,991	73	1,388,394	68
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 7 and 25)	21,037	1	15,530	1
Financial assets at amortized cost - noncurrent (Notes 4, 8, 25 and 27)	114	-	33,613	2
Investment accounted for using the equity method (Notes 4 and 10)	98,234	4	33,055	2
Property, plant and equipment (Notes 4 and 11)	465,056	19	475,318	23
Right-of-use assets (Notes 4 and 12)	3,352	-	7,287	-
Intangible assets (Notes 4 and 13)	74,477	3	73,584	4
Deferred tax assets (Notes 4 and 21)	4,022	-	3,434	-
Prepayments for equipment	50	-	-	-
Refundable deposits	315	-	315	-
Total non-current assets	666,657	27	642,136	32
TOTAL	$ 2,463,648	100	$ 2,030,530	100

LIABILITIES AND EQUITY	2020 Amount	%	2019 Amount	%
CURRENT LIABILITIES				
Contract liabilities - current (Notes 19 and 26)	$ 52,244	2	$ 32,837	2
Other payables (Notes 15 and 25)	130,676	5	78,364	4
Bonuses payable to employees and directors (Note 20)	164,397	7	125,120	6
Payables on equipment (Note 25)	5,134	-	4,659	-
Current tax liabilities (Notes 4 and 21)	87,696	4	56,576	3
Lease liabilities - current (Notes 4, 12 and 25)	1,340	-	3,114	-
Other current liabilities (Notes 15 and 26)	2,054	-	1,686	-
Total current liabilities	443,541	18	302,356	15
NON-CURRENT LIABILITIES				
Lease liabilities - noncurrent (Notes 4, 12 and 25)	2,073	-	4,246	-
Net defined benefit liabilities - noncurrent (Notes 4 and 16)	21,233	1	21,384	1
Guarantee deposits received (Note 26)	530	-	530	-
Total non-current liabilities	23,836	1	26,160	1
Total liabilities	467,377	19	328,516	16
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 4, 17 and 18)				
Ordinary shares	760,592	31	758,336	37
Capital surplus	391,907	16	404,446	20
Retained earnings				
Legal reserve	455,518	18	401,471	20
Special reserve	65,586	3	61,932	3
Unappropriated earnings	787,007	32	545,653	27
Total retained earnings	1,308,111	53	1,009,056	50
Other equity				
Exchange differences on the translation of the financial statements of foreign operations	(26)	-	(4)	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(60,075)	(3)	(65,582)	(3)
Total other equity	(60,101)	(3)	(65,586)	(3)
Treasury shares	(404,238)	(16)	(404,238)	(20)
Total equity	1,996,271	81	1,702,014	84
TOTAL	$ 2,463,648	100	$ 2,030,530	100

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

EMEMORY TECHNOLOGY INC.

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**	**%**
OPERATING REVENUE (Notes 4, 19 and 26)	$ 1,771,831	100	$ 1,409,329	100
OPERATING COSTS	-	-	-	-
GROSS PROFIT	1,771,831	100	1,409,329	100
OPERATING EXPENSES (Notes 4, 12, 20 and 26)				
Selling and marketing expenses	128,119	7	112,644	8
General and administrative expenses	192,563	11	162,721	11
Research and development expenses	564,477	32	493,106	35
Expected credit loss (gain) (Notes 4 and 9)	4,856	-	(2,984)	-
Total operating expenses	890,015	50	765,487	54
OPERATING INCOME	881,816	50	643,842	46
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 20)	7,501	-	9,493	-
Other income (Notes 4, 12, 20 and 26)	5,867	-	10,129	1
Other gains and losses (Notes 4, 20, 23 and 26)	(193)	-	(3,381)	-
Finance costs (Notes 4, 20 and 26)	(111)	-	(179)	-
Share of loss of subsidiaries and associates (Notes 4 and 10)	(62,931)	(3)	(26,720)	(2)
Total non-operating income and expenses	(49,867)	(3)	(10,658)	(1)
PROFIT BEFORE INCOME TAX	831,949	47	633,184	45
INCOME TAX EXPENSE (Notes 4 and 21)	123,950	7	91,112	7
NET PROFIT FOR THE YEAR	707,999	40	542,072	38
OTHER COMPREHENSIVE INCOME（LOSS）				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 16)	(478)	-	(1,604)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 17)	5,507	-	(3,650)	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive loss of subsidiaries and associates accounted for using the equity method (Notes 4, 10 and 17)	(22)	-	(4)	-
Other comprehensive income (loss) for the year	5,007	-	(5,258)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 713,006	40	$ 536,814	38

(Continued)

EMEMORY TECHNOLOGY INC.

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**	**%**
EARNINGS PER SHARE (Note 22)				
Basic	$ 9.52		$ 7.30	
Diluted	$ 9.47		$ 7.26	

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

EMEMORY TECHNOLOGY INC.

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

	Ordinary Shares			Retained Earnings				Other Equity			
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total Equity
BALANCE, JANUARY 1, 2019	75,791	$ 757,908	$ 416,537	$ 340,160	$ 926	$ 684,180	$ 1,025,266	$ -	$ (61,932)	$ (404,238)	$ 1,733,541
Appropriation of 2018 earnings											
Legal reserve	-	-	-	61,311	-	(61,311)	-	-	-	-	-
Special reserve	-	-	-	-	61,006	(61,006)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(556,678)	(556,678)	-	-	-	(556,678)
Change in capital surplus from investments in associates accounted for by using the equity method	-	-	3,676	-	-	-	-	-	-	-	3,676
Issuance of cash dividends from capital surplus	-	-	(37,112)	-	-	-	-	-	-	-	(37,112)
Net profit for the year ended December 31, 2019	-	-	-	-	-	542,072	542,072	-	-	-	542,072
Other comprehensive loss for the year ended December 31, 2019	-	-	-	-	-	(1,604)	(1,604)	(4)	(3,650)	-	(5,258)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	540,468	540,468	(4)	(3,650)	-	536,814
Issuance of ordinary shares under employee share options	43	428	13,554	-	-	-	-	-	-	-	13,982
Share-based payments	-	-	7,791	-	-	-	-	-	-	-	7,791
BALANCE, DECEMBER 31, 2019	75,834	758,336	404,446	401,471	61,932	545,653	1,009,056	(4)	(65,582)	(404,238)	1,702,014
Appropriation of 2019 earnings											
Legal reserve	-	-	-	54,047	-	(54,047)	-	-	-	-	-
Special reserve	-	-	-	-	3,654	(3,654)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(408,466)	(408,466)	-	-	-	(408,466)
Changes in percentage of ownership interests in subsidiaries	-	-	24,629	-	-	-	-	-	-	-	24,629
Change in capital surplus from investments in associates accounted for by using the equity method	-	-	3,580	-	-	-	-	-	-	-	3,580
Issuance of cash dividends from capital surplus	-	-	(111,400)	-	-	-	-	-	-	-	(111,400)
Net profit for the year ended December 31, 2020	-	-	-	-	-	707,999	707,999	-	-	-	707,999
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	(478)	(478)	(22)	5,507	-	5,007
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	707,521	707,521	(22)	5,507	-	713,006
Issuance of ordinary shares under employee share options	226	2,256	69,567	-	-	-	-	-	-	-	71,823
Share-based payments	-	-	1,085	-	-	-	-	-	-	-	1,085
BALANCE, DECEMBER 31, 2020	76,060	$ 760,592	$ 391,907	$ 455,518	$ 65,586	$ 787,007	$ 1,308,111	$ (26)	$ (60,075)	$ (404,238)	$ 1,996,271

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

EMEMORY TECHNOLOGY INC.

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 831,949	$ 633,184
Adjustments for:		
Depreciation expenses	42,570	40,477
Amortization expenses	16,344	14,495
Expected credit loss (gain)	4,856	(2,984)
Finance costs	111	179
Interest income	(7,501)	(9,493)
Dividend income	(1,210)	(291)
Share-based payments	1,162	7,734
Share of loss of subsidiaries and associates	62,931	26,720
Loss on disposal of property, plant and equipment	35	-
Gain on disposal of investments	(48)	(95)
Net loss on foreign currency exchange	4,589	4,288
Lease modification benefit	(12)	-
Intangible assets reclassified as operating expenses	-	10
Changes in operating assets and liabilities		
Accounts receivable	2,193	32,484
Accounts receivable - related parties	787	(794)
Other receivables	1,691	(1,691)
Other receivables - related parties	(499)	(168)
Prepayments	(2,071)	656
Other current assets	1,016	(1,376)
Contract liabilities	19,407	(4,985)
Other payables	52,309	(15,754)
Other current liabilities	368	70
Net defined benefit liabilities	(629)	(554)
Bonuses payable to employees and directors	39,277	(12,972)
Cash generated from operations	1,069,625	709,140
Interest received	7,634	9,483
Income tax paid	(93,399)	(107,168)
Net cash generated from operating activities	983,860	611,455
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(1)	(1)
Proceeds from disposal of financial assets at amortized cost	33,500	-
Acquisition of financial assets at fair value through profit or loss	(626,000)	(592,000)
Proceeds from disposal of financial assets at fair value through profit or loss	626,048	592,095
Net cash outflow on acquisition of subsidiaries	(100,000)	(50,000)
Increase in prepayments for equipment	(50)	-
Acquisition of property, plant and equipment	(28,833)	(22,749)

(Continued)

EMEMORY TECHNOLOGY INC.

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

	2020	2019
Decrease in refundable deposits	$ -	$ 16
Acquisition of intangible assets	(17,237)	(20,927)
Dividends received	1,210	291
Net cash used in investing activities	(111,363)	(93,275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(3,035)	(3,022)
Dividends paid	(519,866)	(593,780)
Exercise of employee share options	71,823	13,982
Interest paid	(111)	(179)
Net cash used in financing activities	(451,189)	(582,999)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(2,272)	(2,254)
NET INCREASE (DECREASE) IN CASH	419,036	(67,073)
CASH AT THE BEGINNING OF THE YEAR	1,234,930	1,302,003
CASH AT THE END OF THE YEAR	$ 1,653,966	$ 1,234,930

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

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

1. GENERAL INFORMATION

eMemory Technology Inc. (the "Company") was incorporated in Hsinchu City, Republic of China, and commenced business in September 2000. The Company's main business activities include researching, developing, manufacturing and selling embedded flash memory products, etc.

The Company's shares have been listed on the Taipei Exchange (TPEx) since January 2011.

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 board of directors and authorized for issue on February 24, 2021.

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

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

   The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies.

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

New, Amended or Revised Standards and Interpretations	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
Amendment to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020

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

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB

(Continued)

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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 4)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 5)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 6)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 7)

(Concluded)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: 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.

Note 6: 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 7: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of the above 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 parent company only 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 its parent company only financial statements, the Company used the equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income (loss) of subsidiaries and associates, as appropriate, 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 Company's 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. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investments in subsidiaries are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole.

f. Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in associates are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's parent company only financial statements only to the extent of interests in the associate that are not related to the Company.

g. Property, plant and equipment

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) The intention to complete the intangible asset and use or sell it;

c) The ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when such an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets are measured on the same basis as intangible assets that are acquired separately.

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.

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

At the end of each reporting period, the Company reviews the carrying amount of its property, plant and equipment, right-of-use assets and intangible assets for any indication of 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 a corporate asset, the asset is tested for impairment in the context of the cash-generating unit (CGU) to which the asset belongs. If a portion of the carrying amount of the asset can be allocated on a reasonable and consistent basis to the CGU, the Company compares the carrying amount of the CGU, including the portion of the asset's carrying amount allocated to the CGU, with the recoverable amount of the CGU to which the asset belongs. If this reasonable and consistent basis of allocation cannot be applied to the CGU to which the asset belongs and can be applied instead to the smallest group of CGUs to which the CGU belongs, this smallest group is used for impairment testing.

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

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, 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 on the asset, cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

i. 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, accounts receivable, other receivables and other current assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit-impaired on purchase or origination but 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.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash includes time deposits that are highly liquid, and readily convertible to a known amount of cash, and is subject to an insignificant risk of changes in value. The Company’s cash is held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivable. 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.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

Equity instruments issued by the Company are classified as equity in accordance with the substance of the contractual arrangements and the definitions of 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

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

b) Derecognition of financial liabilities

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

k. Revenue recognition

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

For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Licensing revenue

a) Technical service revenue

The Company identifies performance obligations from contracts with customers and recognizes revenue when performance obligations are satisfied.

b) Royalty revenue

Revenue received from the intellectual property that remains operational without renewal or technical support is royalty revenue. When customers use the intellectual property in mass production at the foundries, the royalty prices are determined based on the production volume, sales amount or other methods of measurement; and revenue is recognized in accordance with the terms of the arrangements.

l. Leases

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

1) The Company as lessor

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

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

Lease payments receivable less any lease incentives payable on operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Lease modifications that resulted from negotiations with a lessee are accounted for as a new lease from the effective date of modification.

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, less any lease incentives received, and plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments. 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 a lease term resulting from a change in future lease payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the parent company only balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

m. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary conditions are that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic basis over the useful lives of the related 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 Company with no future related costs are recognized in profit or loss in the period in which they are received.

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Other long-term employee benefits

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

o. Share-based payment arrangements

1) Employee share options granted

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

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

2) Equity-settled share-based payment arrangements granted to the employees of a subsidiary

The grant by the Company of its equity instruments to the employees of a subsidiary under employee share options is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - employee share options.

p. Taxation

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

1) Current tax

According to the Income Tax Law in the ROC, 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 amount 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 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 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 assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes

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 AND UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amount 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 has considered the economic implications of the COVID-19 pandemic on critical accounting estimates and will continue evaluating the impact on its financial position and financial performance as result of the pandemic.

Critical Accounting Judgements

a. Business model assessment for financial assets

The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated and the risks that affect the performance of the assets. The Company monitors financial assets measured at amortized cost when assets are derecognized prior to their maturity, the Company understands the reasons for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model such that a prospective change to the classification of those assets is proper.

b. Lease terms

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

Key Sources of Estimation and Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of accounts receivables (including related parties) is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions and industrial economic trends. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Lessees' incremental borrowing rates

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

6. CASH

	December 31	
	2020	2019
Bank deposits	$ 1,653,941	$ 1,234,905
Cash on hand	25	25
	$ 1,653,966	$ 1,234,930

The market rates of cash in bank at the end of the reporting period were as follows:

	December 31	
	2020	2019
Bank deposits	0.02%-2.65%	0.001%-2.75%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
Non-current		
Investments in equity instruments at FVTOCI	$ 21,037	$ 15,530
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - Powerchip Semiconductor Manufacturing Corporation	$ 9,384	$ -
Unlisted shares		
Ordinary shares - Powerchip Technology Corporation	4,323	8,540
Ordinary shares - Syntronix Corporation	7,330	6,990
	$ 21,037	$ 15,530

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

In the year ended December 31, 2020, Powerchip Technology Corporation reduced its capital, and its shareholders were issued one ordinary share of Powerchip Semiconductor Manufacturing Corporation for each share of the reduction.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
Non-current		
Domestic investments		
Time deposits with original maturities of more than 1 year	$ -	$ 33,500
Pledged time deposits	114	113
	$ 114	$ 33,613

a. The interest rates of time deposits were approximately 0.765% and 1.015%-1.09% per annum as of December 31, 2020 and 2019, respectively.

b. Refer to Note 25 for information relating to the credit risk management and impairment of financial assets at amortized cost.

c. Refer to Note 27 for information relating to investments in financial assets at amortized cost pledged as security.

9. ACCOUNTS RECEIVABLE, NET

	December 31	
	2020	2019
Accounts receivable	$ 129,410	$ 133,917
Less: Allowance for impairment loss	(11,961)	(7,105)
	$ 117,449	$ 126,812

The average credit term was 30 to 60 days, and no interest was charged on accounts receivable. The Company uses other publicly available financial information or its own 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.

The Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The lifetime expected credit losses are estimated considering the past default experience and current financial position of the customers as well as industrial economic conditions. The Company's expected credit loss rates are set by individual customer based on historical credit loss experience.

The Company writes off an account 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 accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

December 31, 2020

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	$ 108,860	$ 15,726	$ 4,824	$ -	$ -	$ 129,410
Loss allowance (lifetime ECL)	(6,223)	(3,560)	(2,178)	-	-	(11,961)
Amortized cost	$ 102,637	$ 12,166	$ 2,646	$ -	$ -	$ 117,449

December 31, 2019

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	$ 109,000	$ 6,146	$ 14,214	$ 1,679	$ 2,878	$ 133,917
Loss allowance (lifetime ECL)	(1,559)	(1,349)	(1,919)	(839)	(1,439)	(7,105)
Amortized cost	$ 107,441	$ 4,797	$ 12,295	$ 840	$ 1,439	$ 126,812

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 7,105	$ 10,089
Add: Net remeasurement of loss allowance	4,856	-
Less: Net remeasurement of loss allowance	-	(2,984)
Balance at December 31	$ 11,961	$ 7,105

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	$ 92,717	$ 27,673
Investments in associates	5,517	5,382
	$ 98,234	$ 33,055

a. Investments in subsidiaries

	December 31	
	2020	2019
PUFsecurity Corporation	$ 92,717	$ 27,673

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiary	2020	2019
PUFsecurity Corporation	90.91%	100%

The Company invested in and established PUFsecurity Corporation in May 2019. The authorized capital and the total paid-in capital of PUFsecurity Corporation were NT$500,000 thousand and NT$50,000 thousand, respectively, divided into 50,000 thousand shares with a par value of NT$1.

PUFsecurity Corporation increased its capital by issuing 27,000 thousand shares with a par value of NT$5 in October 2020, and the paid in capital increased to NT$77,000 thousand, which was divided into 77,000 thousand shares with a par value of NT$1. The Company subscribed for 20,000 thousand shares in cash for NT$100,000 thousand, but did not subscribe for the shares in accordance with its original shareholding proportion, which caused its proportion of ownership to decrease from 100% to 90.91%.

The investments in the subsidiary accounted for using the equity method and the share of profit or loss and other comprehensive income (loss) of those investments for the years ended December 31, 2020 and 2019 were based on the subsidiary's financial statements which have been audited for the same years.

b. Investments in associates

	December 31	
	2020	2019
Associates that is not individually material		
iMQ Technology Inc.	$ 5,517	$ 5,382

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	2020	2019
iMQ Technology Inc.	2.71%	3.38%

In October, 2020, the Company did not subscribe for the shares of iMQ Technology Inc. in accordance with its original shareholding proportion, which caused its proportion of ownership to decrease from 3.38% to 2.71%.

	For the Year Ended December 31	
	2020	2019
The Company's share of :		
Loss from continuing operations	$ (3,444)	$ (4,336)
Other comprehensive loss	(1)	(4)
Total comprehensive loss for the period	$ (3,445)	$ (4,340)

Although the shareholding ratio is less than 20%, the Company is able to exercise significant influence over iMQ Technology Inc. since the chairman of the Company is the same person as the chairman of iMQ Technology Inc. and the Company acts as the director of iMQ Technology Inc.

For information about the nature of business, main operating location and country of incorporation of the associate, refer to Table 3.

The investments in the associates accounted for using the equity method, and the share of profit or loss and other comprehensive income (loss) of those investments for the years ended December 31, 2020 and 2019 was based on the associate's financial statements which have been audited for the same years.

11. PROPERTY, PLANT AND EQUIPMENT

	December 31 2020	December 31 2019
Assets used by the Company	$ 435,062	$ 444,855
Assets leased under operating leases	29,994	30,463
	$ 465,056	$ 475,318

a. Assets used by the Company

	Freehold Land	Buildings	Research and Development Equipment	Office Equipment	Total
Cost					
Balance at January 1, 2020	$ 113,730	$ 359,987	$ 105,459	$ 9,195	$ 588,371
Additions	-	4,320	22,316	2,672	29,308
Disposals	-	(157)	(12,998)	(786)	(13,941)
Balance at December 31, 2020	$ 113,730	$ 364,150	$ 114,777	$ 11,081	$ 603,738
Accumulated depreciation					
Balance at January 1, 2020	$ -	$ 82,264	$ 57,709	$ 3,543	$ 143,516
Depreciation expense	-	10,935	25,917	2,214	39,066
Disposals	-	(157)	(12,963)	(786)	(13,906)
Balance at December 31, 2020	$ -	$ 93,042	$ 70,663	$ 4,971	$ 168,676
Carrying amount at December 31, 2020	$ 113,730	$ 271,108	$ 44,114	$ 6,110	$ 435,062
Cost					
Balance at January 1, 2019	$ 124,019	$ 383,910	$ 102,728	$ 10,451	$ 621,108
Additions	-	3,751	15,105	2,311	21,167
Disposals	-	(3,747)	(12,374)	(3,567)	(19,688)
Transfers to assets leased under operating leases	(10,289)	(23,927)	-	-	(34,216)
Balance at December 31, 2019	$ 113,730	$ 359,987	$ 105,459	$ 9,195	$ 588,371
Accumulated depreciation					
Balance at January 1, 2019	$ -	$ 78,766	$ 45,500	$ 5,309	$ 129,575
Depreciation expense	-	10,529	24,583	1,801	36,913
Disposals	-	(3,747)	(12,374)	(3,567)	(19,688)
Transfers to assets leased under operating leases	-	(3,284)	-	-	(3,284)
Balance at December 31, 2019	$ -	$ 82,264	$ 57,709	$ 3,543	$ 143,516
Carrying amount at December 31, 2019	$ 113,730	$ 277,723	$ 47,750	$ 5,652	$ 444,855

b. Assets leased under operating leases

	Freehold Land	Buildings	Total
Cost			
Balance at January 1, and December 31, 2020	$ 10,289	$ 23,927	$ 34,216
Accumulated depreciation			
Balance at January 1, 2020	$ -	$ 3,753	$ 3,753
Depreciation expense	-	469	469
Balance at December 31, 2020	$ -	$ 4,222	$ 4,222
Carrying amount at December 31, 2020	$ 10,289	$ 19,705	$ 29,994
Cost			
Balance at January 1, 2019	$ -	$ -	$ -
Transfers from assets used by the Company	10,289	23,927	34,216
Balance at December 31, 2019	$ 10,289	$ 23,927	$ 34,216
Accumulated depreciation			
Balance at January 1, 2019	$ -	$ -	$ -
Transfers from assets used by the Company	-	3,284	3,284
Depreciation expense	-	469	469
Balance at December 31, 2019	$ -	$ 3,753	$ 3,753
Carrying amount at December 31, 2019	$ 10,289	$ 20,174	$ 30,463

Operating leases are related to leases of buildings with lease terms between 1 and 3 years. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31	
	2020	2019
Year 1	$ 1,696	$ 3,363
Year 2	-	1,666
	$ 1,696	$ 5,029

There was no indication of impairment for the years ended December 31, 2020 and 2019.

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

Buildings	
Office main buildings	35-50 years
Electrical power equipment	5-10 years
Air-conditioning equipment	5-8 years
Extinguishment equipment	5 years
Research and development equipment	3-8 years
Office equipment	3-5 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amount		
Buildings	$ 3,033	$ 5,679
Office equipment	-	15
Transportation equipment	319	1,593
	$ 3,352	$ 7,287

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ 53	$ 1,396
Depreciation charge for right-of-use assets		
Buildings	$ 1,746	$ 1,790
Office equipment	15	30
Transportation equipment	1,274	1,275
	$ 3,035	$ 3,095
Income from the subleasing of right-of-use assets (presented in other income)	$ (1,254)	$ (1,301)

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount		
Current	$ 1,340	$ 3,114
Non-current	$ 2,073	$ 4,246

Discount rates for lease liabilities were as follows:

	December 31	
	2020	2019
Buildings	1.68%	1.68%
Office equipment	-	3.05%
Transportation equipment	3.25%	3.25%

c. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	$ 1,180	$ 1,290
Total cash outflow for leases	$ (4,215)	$ (4,312)

The Company's leases of certain parking space and machine rooms qualify as short-term leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. INTANGIBLE ASSETS

	Patents	Software	Trademarks	Total
Cost				
Balance at January 1, 2020	$ 128,980	$ 9,598	$ 2,952	$ 141,530
Additions	15,175	2,062	-	17,237
Disposals	(540)	(2,320)	(69)	(2,929)
Balance at December 31, 2020	$ 143,615	$ 9,340	$ 2,883	$ 155,838
Accumulated amortization				
Balance at January 1, 2020	$ 60,958	$ 4,551	$ 2,437	$ 67,946
Amortization expense	13,473	2,616	255	16,344
Disposals	(540)	(2,320)	(69)	(2,929)
Balance at December 31, 2020	$ 73,891	$ 4,847	$ 2,623	$ 81,361
Carrying amount at December 31, 2020	$ 69,724	$ 4,493	$ 260	$ 74,477
Cost				
Balance at January 1, 2019	$ 112,921	$ 11,695	$ 4,418	$ 129,034
Additions	18,126	2,801	-	20,927
Disposals	(2,067)	(4,898)	(1,466)	(8,431)
Balance at December 31, 2019	$ 128,980	$ 9,598	$ 2,952	$ 141,530

(Continued)

	Patents	Software	Trademark	Total
Accumulated amortization				
Balance at January 1, 2019	$ 51,793	$ 6,556	$ 3,523	$ 61,872
Amortization expense	11,222	2,893	380	14,495
Disposals	(2,057)	(4,898)	(1,466)	(8,421)
Balance at December 31, 2019	$ 60,958	$ 4,551	$ 2,437	$ 67,946
Carrying amount at December 31, 2019	$ 68,022	$ 5,047	$ 515	$ 73,584

(Concluded)

The Company's major products are NeoBit®, NeoFuse®, NeoPUF®, NeoEE®, and NeoMTP®, etc. There are 1,077 patents currently owned or pending approval for the products mentioned above. According to the requirements of IAS 38, the research and development costs were recognized as research and development expenses, instead of capitalized, in the periods when incurred. The costs of the patents and the trademarks mentioned above were the costs of the relevant fees and professional service expenses for legal right applications.

The above intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives as follows:

Patents	5 years
Software	3 years
Trademarks	5 years

14. OTHER ASSETS

	December 31	
	2020	2019
Current		
Prepayments		
Prepayments for software	$ 13,218	$ 10,925
Prepayments for annual fee on the patents	5,557	4,866
Prepayments for software maintenance	928	1,503
Others	1,591	1,948
	$ 21,294	$ 19,242
Other assets		
Temporary payments	$ 3,262	$ 4,278

15. OTHER LIABILITIES

	December 31	
	2020	2019
Current		
Other payables		
Bonuses	$ 93,648	$ 43,848
Payable for annual leave	5,020	3,371
Payable for professional service fees	1,417	1,494
Others	30,591	29,651
	$ 130,676	$ 78,364
Other liabilities		
Receipt under custody	$ 1,251	$ 1,114
Receipts in advance	785	550
Temporary receipts	18	22
	$ 2,054	$ 1,686

16. 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, an entity 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 Law 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 funded defined benefit obligation	$ 32,106	$ 31,041
Fair value of plan assets	(10,873)	(9,657)
Net defined benefit liabilities	$ 21,233	$ 21,384

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	$ 28,793	$ (8,459)	$ 20,334
Net interest expense (income)	396	(122)	274
Recognized in profit or loss	396	(122)	274
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(248)	(248)
Actuarial loss (gain)			
Changes in demographic assumptions	375	-	375
Changes in financial assumptions	1,630	-	1,630
Experience adjustments	(153)	-	(153)
Recognized in other comprehensive loss (income)	1,852	(248)	1,604
Contributions from the employer	-	(828)	(828)
Balance at December 31, 2019	31,041	(9,657)	21,384
Net interest expense (income)	310	(100)	210
Recognized in profit or loss	310	(100)	210
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(277)	(277)
Actuarial loss (gain)			
Changes in financial assumptions	2,147	-	2,147
Experience adjustments	(1,392)	-	(1,392)
Recognized in other comprehensive loss (income)	755	(277)	478
Contributions from the employer	-	(839)	(839)
Balance at December 31, 2020	$ 32,106	$ (10,873)	$ 21,233

Through the defined benefit plans under the Labor Standards Law, 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 plans' 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	0.50%	1.00%
Expected rate of salary increase	4.00%	4.00%

If possible reasonable changes 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:

	December 31	
	2020	**2019**
Discount rate		
0.25% increase	$ (1,096)	$ (1,102)
0.25% decrease	$ 1,145	$ 1,152
Expected rate of salary increase		
0.25% increase	$ 1,090	$ 1,103
0.25% decrease	$ (1,051)	$ (1,061)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes 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 plans for the next year	$ 868	$ 863
Average duration of the defined benefit obligation	13.9 years	14.5 years

17. EQUITY

a. Ordinary shares

	December 31	
	2020	**2019**
Numbers of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	76,060	75,834
Shares issued	$ 760,592	$ 758,336

For the year ended December 31, 2020, the shares increased due to the employees' exercise of their employee share options.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Arising from issuance of ordinary shares	$ 245,368	$ 287,201
May be used to offset a deficit only		
Arising from changes in percentage of ownership interests in subsidiaries (2)	24,629	-
Arising from share of changes in capital surplus of associates (2)	48,640	45,060
Arising from issuance of ordinary - exercised/invalid employee share options	43,590	9,160
May not be used for any purpose		
Arising from employee share options	29,680	63,025
	$ 391,907	$ 404,446

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 effects of changes in ownership interests in subsidiaries and associates resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries and associates accounted for using the equity method.

c. Retained earnings and dividend policy

Based on the Company's Articles of Incorporation state that, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 20 (g).

The Company shall distribute dividend with considerations of the market situation and development stage, as well as future capital needs, long-term corporate development and the shareholders' cash flow needs. Based on the Company's dividend policy, in principle, the total dividends distributed shall not be less than 50% of distributable earnings, of which at least 10% will be paid as cash dividend and the remainder will be in the form of stock dividend. The board of directors shall map out the distribution proposal in consideration of future operation and capital expenditure, and present the proposal at the shareholders' meeting for approval.

An 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 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 had been approved in the shareholders' meetings on June 10, 2020 and June 13, 2019, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2019	**2018**
Legal reserve	$ 54,047	$ 61,311
Special reserve	$ 3,654	$ 61,006
Cash dividends	$ 408,466	$ 556,678
Cash dividends per share (NT$)	$ 5.50	$ 7.50

The Company's shareholders also resolved to issue cash dividends from the capital surplus of $111,400 thousand and $37,112 thousand in the shareholders' meetings on June 10, 2020 and June 13, 2019, respectively.

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on February 24, 2021. The appropriations and dividends per share were as follows:

	For the Year Ended December 31, 2020
Legal reserve	$ 70,752
Special reserve	$ (5,485)
Cash dividends	$ 558,792
Cash dividends per share (NT$)	$ 7.50

Issuance of cash dividends from capital surplus of $111,759 thousand had also been proposed by the Company's board of directors on February 24, 2021.

The appropriations of earnings for 2020 are subject to the resolution of the shareholders in their meeting to be held on June 10, 2021.

d. Other equity items

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

	For the Year Ended December 31	
	2020	**2019**
Balance at January 1	$ (4)	$ -
Recognized for the year		
Share from associates accounted for using the equity method	(22)	(4)
Other comprehensive loss recognized for the year	(22)	(4)
Balance at December 31	$ (26)	$ (4)

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

	For the Year Ended December 31	
	2020	**2019**
Balance at January 1	$ (65,582)	$ (61,932)
Recognized for the year		
Unrealized gain (loss) - equity instruments	5,507	(3,650)
Other comprehensive income (loss) recognized for the year	5,507	(3,650)
Balance at December 31	$ (60,075)	$ (65,582)

e. Treasury shares

Unit: In Thousands of Shares

Purpose of Buy-Back	Number of Shares at January 1	Increase During the Year	Decrease During the Year	Number of Shares at December 31
2020				
Shares transferred to employees	1,567	-	-	1,567
2019				
Shares transferred to employees	1,567	-	-	1,567

In September 2018, for the purpose of transferring shares to its employees, the Company's board of directors resolved to buy back 2,500 thousand shares of the Company's ordinary shares from the TPEx market from September 14, 2018 to November 13, 2018 with the price interval ranging from NT$177.80 to NT$400 per share. The Company has bought back 1,567 thousand shares with total cost of NT$404,238 thousand.

In March 2020, for the purpose of transferring shares to its employees, the Company's board of directors resolved to buy back 1,000 thousand shares of the Company's ordinary shares from the TPEx market from March 20, 2020 to May 19, 2020 with the price interval ranging from NT$111.65 to NT$319 per share. As of May 19, 2020, none shares have been bought back.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

18. SHARE-BASED PAYMENTS

Employee share option plan of the Company

Qualified employees of the Company were granted 500 options in February 2016. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the TPEx on the grant date. For any subsequent changes in the Company's ordinary shares or for any cash dividends issued in excess of the ratio required in the issuance rule, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	For the Year Ended December 31			
	2020		2019	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	420	$ 324.2	470	$ 331.6
Options exercised	(226)	318.4	(43)	326.7
Options forfeited	-	-	(7)	324.2
Balance at December 31	194	318.4	420	324.2
Options exercisable, end of period	194	318.4	231	324.2

The weighted-average share prices on the exercise date of the share options for the year ended December 31, 2020 and 2019 were $531 and $369, respectively.

Information on outstanding options is as follows:

	December 31	
	2020	2019
Range of exercise price (NT$)	$ 318.4	$ 324.2
Weighted-average remaining contractual life (in years)	5.15	6.15

Options granted in February 2016 were priced using the Black-Scholes pricing model and the inputs of the model were as follows:

Grant-date share price (NT$)	$ 351
Exercise price (NT$)	$ 351
Expected volatility	43.24%
Expected life (in years)	6-7 years
Expected dividend yield	-
Risk-free interest rate	0.71-0.75%

Compensation cost recognized were NT$1,070 thousand and NT$7,734 thousand for the year ended December 31, 2020 and 2019, respectively.

19. REVENUE

	For the Year Ended December 31	
	2020	2019
Royalty revenue	$ 1,286,548	$ 979,822
Technical service revenue	485,283	429,507
	$ 1,771,831	$ 1,409,329

a. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivables (including related parties) (Note 9)	$ 117,449	$ 127,599	$ 158,335
Contract liabilities			
Technical service revenue	$ 52,244	$ 32,837	$ 37,822

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's performance and the respective customer's payment.

Revenue of the reporting period recognized from the beginning contract liabilities in the previous periods is as follows:

	For the Year Ended December 31	
	2020	2019
From contract liabilities at the beginning of the year		
Technical service revenue	$ 20,576	$ 25,764

b. Partially completed contracts

	For the Year Ended December 31	
	2020	2019
Domestic	$ 1,041,681	$ 805,649
Asia	656,766	525,981
Others	73,384	77,699
	$ 1,771,831	$ 1,409,329

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposits	$ 7,501	$ 9,493

b. Other income

	For the Year Ended December 31	
	2020	2019
Rental income	$ 4,657	$ 4,696
Dividend income	1,210	291
Remuneration of directors received	-	5,142
	$ 5,867	$ 10,129

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Government grant income (Note 23)	$ 17,349	$ 1,691
Commission income (Note 26)	1,416	-
Net foreign exchange loss	(19,042)	(5,287)
Gain on disposal of investments	48	95
Others	36	120
	$ (193)	$ (3,381)

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on lease liabilities	$ 105	$ 179
Others	6	-
	$ 111	$ 179

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
An analysis of depreciation by function		
Operating expenses	$ 42,570	$ 40,477
An analysis of amortization by function		
Selling and marketing expenses	$ -	$ -
General and administrative expenses	1,795	1,944
Research and development expenses	14,549	12,551
	$ 16,344	$ 14,495

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Post-employment benefits (Note 16)		
Defined contribution plans	$ 16,390	$ 15,811
Defined benefit plans	210	274
	16,600	16,085
Share-based payments (Note 18)		
Equity-settled	1,162	7,734
Other employee benefits	687,858	566,342
	$ 705,620	$ 590,161
An analysis of employee benefits expense by function		
Operating expenses	$ 705,620	$ 590,161

g. 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 1-25% and no higher than 2%, 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 February 24, 2021 and February 19, 2020, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2020	**2019**
Employees' compensation	15%	15%
Remuneration of directors	1.5%	1.5%

Amount

	For the Year Ended December 31	
	2020	**2019**
Employees' compensation	$ 149,452	$ 113,746
Remuneration of directors	$ 14,945	$ 11,374

If there is a change in the amounts after the parent company only financial statements are 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, 2019 and 2018.

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

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2020	**2019**
Current tax		
In respect of the current year	$ 125,703	$ 91,829
Adjustments for prior years	(1,165)	9
	124,538	91,838
Deferred tax		
In respect of the current year	(588)	(726)
Income tax expense recognized in profit or loss	$ 123,950	$ 91,112

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

	For the Year Ended December 31	
	2020	2019
Profit before tax	$ 831,949	$ 633,184
Income tax expense calculated at the statutory rate	$ 166,390	$ 126,637
Nondeductible expenses in determining taxable income	12,335	5,333
Tax-exempt income	(126,586)	(84,175)
Additional income tax under the Alternative Minimum Tax Act	54,464	31,304
Unrecognized deductible temporary differences and investment credits	18,512	12,004
Adjustments for prior years' tax	(1,165)	9
Income tax expense recognized in profit or loss	$ 123,950	$ 91,112

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.

b. Current tax liabilities

	December 31	
	2020	2019
Current tax liabilities		
Income tax payable	$ 87,696	$ 56,576

c. Deferred tax assets

The movements of deferred tax assets was as follows:

For the Year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Temporary differences	$ 3,434	$ 588	$ 4,022

For the Year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Temporary differences	$ 2,708	$ 726	$ 3,434

d. Information about tax-exemption

As of December 31, 2020, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

Expansion of Construction Project	Tax-exemption Period
Sixth expansion of the manufacturing plant	January 1, 2016-December 31, 2020

e. Income tax assessments

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

22. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	$ 9.52	$ 7.30
Diluted earnings per share	$ 9.47	$ 7.26

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

Net Profit for the Year

	For the Year Ended December 31	
	2020	2019
Earnings used in the computation of basic earnings per share	$ 707,999	$ 542,072
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Employee share options	-	-
Earnings used in the computation of diluted earnings per share	$ 707,999	$ 542,072

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 used in the computation of basic earnings per share	74,372	74,247
Effect of potentially dilutive ordinary shares:		
Employees' compensation	297	387
Employee share options	55	14
Weighted average number of ordinary shares used in the computation of diluted earnings per share	74,724	74,648

Since the Company can offer to settle bonus to employees in cash or shares, the Company assumes the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

23. GOVERNMENT GRANTS

The Company applied for AI on the chip R&D subsidy program "The Industrial Technology Foresight Research Program of Reconfigurable Analog Artificial Intelligence Chip", proposed by the Ministry of Economic Affairs, and the program was approved on December 18, 2019. The total funds approved amounted to NT$85,750 thousand, and the subsidies amounted to NT$34,300 thousand. As of December 31, 2020, the accumulated government grants income recognized was NT$19,040 thousand. The collateral provided by the Company included cashier checks whose drawees are banking industries and guarantee letters and the amounts were NT$34,300 thousand and NT$19,576 thousand, respectively.

24. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue a going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy has no significant changes.

The capital structure of the Company consists of issued ordinary shares, capital surplus, retained earnings and other equity.

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

25. FINANCIAL INSTRUMENTS

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

The management believes the carrying amount of financial assets and financial liabilities not carried at fair value approximate their fair values or their fair values cannot be reliably measured.

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

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Listed shares and emerging market shares	$ -	$ -	$ 9,384	$ 9,384
Unlisted shares	-	-	11,653	11,653
	$ -	$ -	$ 21,037	$ 21,037

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	$ -	$ -	$ 15,530	$ 15,530

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

Financial Assets	Financial Assets at FVTOCI Equity Instruments 2020	2019
Balance at January 1	$ 15,530	$ 19,180
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	5,507	(3,650)
Balance at December 31	$ 21,037	$ 15,530

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

Financial Instruments	Valuation Techniques and Inputs
Unlisted shares - ROC	The fair value of the shares is estimated based on the balance sheet accounts of the target company, or by comparing the balance sheet or income statement accounts of comparable listed companies and calculating the implied value multiplier in the stock price.

c. Categories of financial instruments

	December 31 2020	2019
Financial assets		
Financial asset at amortized cost (Note 1)	$ 1,775,804	$ 1,420,734
Investment in equity instrument at FVTOCI	21,037	15,530
Financial liabilities		
Amortized cost (Note 2)	25,165	25,362

Note 1: The balances include financial assets measured at amortized cost, which comprise cash, accounts receivable, accounts receivable - related parties, other receivables, other receivables - related parties and other current assets.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise other payables and payables on equipment.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity investments, accounts receivable, lease liabilities and other payables. The Company's corporate financial management 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 currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company's main financial plans are reviewed by the board of directors in accordance with relevant regulations and internal control system.

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).

There had been no change in the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company's operating activities are partially denominated in foreign currencies and apply the natural hedge. The purpose of the Company's management of the foreign currency risk is to hedge the risk instead of making a profit.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 28.

Sensitivity analysis

The Company is mainly exposed to the exchange rate fluctuations of the USD, CNY and JPY.

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 number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative. The sensitivity analysis included cash, accounts receivable, accounts receivable - related parties, other receivables, payables on equipment and other payables.

	USD Impact		**CNY Impact**		**JPY 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	$ 8,298	$ 10,341	$ 453	$ 434	$ -	$ 20

b) Interest rate risk

The Company is exposed to interest rate risk arising from financial assets at both fixed and floating interest rates.

The carrying amount of the Company's financial assets with exposure to interest rates at the end of the reporting periods were as follows:

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	$ 1,223,468	$ 779,513
Cash flow interest rate risk		
Financial assets	430,587	489,005

<u>Sensitivity analysis</u>

The sensitivity analyses below are determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of the asset outstanding at the end of the reporting period was outstanding for the whole year.

If the market interest rates had increased/decreased by 0.1% 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 $431 thousand and $489 thousand, respectively, mainly due to the Company's exposure to floating interest rate assets.

2) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations and result in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation mainly arise from the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

In order to minimize credit risk, the Company has made credit and receivable management regulations to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

The credit risk on liquid funds was limited because the counterparties are banks with good credit.

Apart from the customers whose balances exceeded 5% of the accounts receivable, the Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The customers whose balances exceeded 5% of the accounts receivable are creditworthy counterparties. Therefore, the credit risk is limited.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

Liquidity and interest risk rate tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had 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 tables included both interest and principal cash flows.

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1+ Years	Total
Non-derivative financial liabilities					
Non-interest bearing	$ 12,309	$ 12,550	$ 836	$ -	$ 25,695
Lease liabilities	198	396	790	2,106	3,490
	$ 12,507	$ 12,946	$ 1,626	$ 2,106	$ 29,185

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5+ Years
Lease liabilities	$ 1,384	$ 2,106	$ -

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1+ Years	Total
Non-derivative financial liabilities					
Non-interest bearing	$ 8,103	$ 16,881	$ 908	$ -	$ 25,892
Lease liabilities	270	540	2,414	4,343	7,567
	$ 8,373	$ 17,421	$ 3,322	$ 4,343	$ 33,459

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5+ Years
Lease liabilities	$ 3,224	$ 4,343	$ -

26. TRANSACTIONS WITH RELATED PARTIES

The transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

a. Related party name and category

Related Party Name	Related Party Category
PUFsecurity Corporation	Subsidiaries
iMQ Technology Inc.	Associates
HeFeChip Corporation Limited	Substantive related parties
T.C.Chen	Key management personnel
Chris Lu	Key management personnel
Li-Jeng Chen	Key management personnel
Evans Yang	Key management personnel

b. Operating revenue

		For the Year Ended December 31	
Line Item	Related Party Category	2020	2019
Sales	Substantive related parties	$ 2,848	$ 1,815
	Subsidiaries	1,442	756
	Associates	-	452
		$ 4,290	$ 3,023

The prices that the Company transferred and granted the professional technology to related parties were decided by the two sides. The payment term was open account 30 days.

c. Other income

		For the Year Ended December 31	
Line Item	Related Party Category	2020	2019
Commission income	Subsidiaries		
	PUFsecurity Corporation	$ 1,416	$ -
Other income	Key management personnel	$ 50	$ 95

d. Finance costs

		For the Year Ended December 31	
Line Item	Related Party Category	2020	2019
Finance costs	Substantive related parties		
	HeFeChip Corporation Limited	$ 5	$ -

e. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category	December 31 2020	2019
Accounts receivable - related parties	Subsidiaries PUFsecurity Corporation	$ -	$ 787
Other receivables - related parties	Subsidiaries PUFsecurity Corporation	$ 641	$ 9
	Substantive related parties HeFeChip Corporation Limited	277	410
		$ 918	$ 419

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2020 and 2019, no impairment losses were recognized for trade receivables from related parties.

f. Other current assets

Line Item	Related Party Category	December 31 2020	2019
Temporary payment	Subsidiaries	$ -	$ 3

g. Contract liabilities

Line Item	Related Party Category	December 31 2020	2019
Contract liabilities	Subsidiaries	$ 1,442	$ -

h. Other current liabilities

Line Item	Related Party Category	December 31 2020	2019
Receipt in advance	Substantive related parties HeFeChip Corporation Limited	$ 550	$ 550
Temporary receipt	Key management personnel	$ -	$ 10

i. Guarantee deposits received

Line Item	Related Party Category	December 31 2020	2019
Guarantee deposits received	Substantive related parties HeFeChip Corporation Limited	$ 520	$ 520

j. Lease arrangements

The Company is lessor under operating leases

The Company leases out offices, parking spaces and dormitories to its substantive related parties - HeFeChip Corporation Limited and key management personnel under operating leases with lease terms of 1 to 3 years. As of December 31, 2020 and 2019, the balance of the operating lease receivable was $1,666 thousand and $6,191 thousand, respectively. Lease income recognized for the years ended December 31, 2020 and 2019 was as follows:

Related Party Category	For the Year Ended December 31 2020	2019
Substantive related parties		
HeFeChip Corporation Limited	$ 3,343	$ 3,335
Key management personnel	201	357
	$ 3,544	$ 3,692

k. Compensation of key management personnel

The compensation to directors and the key management personnel were as follows:

	For the Year Ended December 31 2020	2019
Short-term employee benefits	$ 109,635	$ 81,131
Post-employment benefits	1,017	1,012
Share-based payment transactions	378	2,564
	$ 111,030	$ 84,707

The remuneration of directors and key management personnel, as determined by the remuneration committee, was based on the performance of individuals and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Company were provided as deposits for the tariff of imported raw materials:

	December 31 2020	2019
Pledged time deposits (classified as financial assets a amortized cost)	$ 114	$ 113

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(Foreign currencies and carrying amount in thousands)

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 5,840	28.480	$ 166,337
CNY	2,068	4.377	9,050
			$ 175,387
Financial liabilities			
Monetary items			
USD	13	28.480	$ 377

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 6,899	29.980	$ 206,829
CNY	2,015	4.305	8,673
JPY	1,440	0.276	398
			$ 215,900

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

	For the Year Ended December 31			
	2020		2019	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	28.480 (USD:NTD)	$ 707	29.980 (USD:NTD)	$ (3,602)

29. SEPARATELY DISCLOSED ITEMS

Except for the following, the company has no other significant transactions.

a. Information about significant transactions and investees:

   1) Financing provided to others (Table 1)

   2) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities) (Table 2)

b. Information on investees (Table 3)

c. Information on investments in mainland China (None)

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. (Table 4)

TABLE 1

EMEMORY TECHNOLOGY INC.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 2)	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 3)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 4)	Aggregate Financing Limit (Note 4)	Note
													Item	Value			
0	The Company	PUFsecurity Corporation	Other receivables from related parties	Yes	$ 30,000	$ 30,000	$ -	1.315%	2	$ -	Working capital	$ -	-	$ -	$ 199,627	$ 798,508	-

Note 1: The No. column is represented as follows:

1. 0 represents the issuer.
2. Investee companies are numbered starting from 1 based on the company type.

Note 2: Financing limit approved by the board of directors.

Note 3: Nature of financing:

1. For business dealings
2. For short-term financing

Note 4: The Total Amount of Loans and the Limited Amount for Individuals.

The total amount of funds lent by the Company shall not exceed 40% of the Company's net value; and the limited amounts of funds lent to the individuals are set forth below:

1. For companies or firms who have business relationship with the Company, the total amount of funds lent by the Company shall not exceed 40% of the Company's net value, and the amount lent to an individual shall be limited to the business amount between such individual and the Company within latest one year, and by basing on considering the risk, shall not exceed 10% of the Company's net value.
   The business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher.
2. The total amount of funds lent by the Company to companies or firms for the necessity of short-term financing shall not exceed 40% of the Company's net value, and the amount lent to an individual shall be limited to 10% of the Company's net value.
3. The limited amounts lent to an individual by the Company, except being restricted pursuant to point 1 and 2, shall also not exceed 30% of the borrower's net value, but this restriction shall not apply to the circumstance of loaning of funds to the subsidiaries of the Company.
4. The financial report of the Company is prepared according to the International Financial Reporting Standards; and the net value mentioned herein is defined as the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The net value shall be calculated based on the latest financial statements certified or reviewed by a certified public accountant.

TABLE 2

EMEMORY TECHNOLOGY INC.

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 (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
The Company.	Shares							
	Powerchip Semiconductor Manufacturing Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	461	$ 9,384	0.01	$ 9,384	Note 2
	Powerchip Technology Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	297	4,323	0.02	4,323	Note 2
	Syntronix Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	1,210	7,330	2.81	7,330	Note 2
	PowerFlash Technology Corp.	-	Financial assets at fair value through other comprehensive income - noncurrent	40	-	3.99	-	Note 2

Note 1: Marketable securities mentioned in the table include shares, bonds, beneficiary certificates and the derivative securities from aforementioned items, which is under the definition of IFRS 9.

Note 2: The market value was based on the fair value as of December 31, 2020.

Note 3: As of December 31, 2020, the above marketable securities had not been pledged or mortgaged.

TABLE 3

EMEMORY TECHNOLOGY INC.

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
The Company.	PUFsecurity Corporation	Hsinchu County	Product designing, software services, data processing services, intellectual property, etc.	$ 150,000	$ 50,000	70,000	90.91	$ 92,717	$ (60,641)	$ (59,487)	Subsidiary
	iMQ Technology Inc.	Hsinchu City	Electronic parts and components manufacturing	27,900	27,900	2,057	2.71	5,517	(105,812)	(3,444)	Investment accounted for using the equity method
PUFsecurity Corporation	PUFsecurity USA Corporation	USA	Sales promotion	7,777	-	-	100	3,312	(4,441)	(4,441)	Subsidiary

TABLE 4

EMEMORY TECHNOLOGY INC.

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

No.	Name	Shares	
		Number of Shares Held	Ownership Percentage
1	Government of Singapore	5,196,000	6.83%
2	SmallCap world Fund Inc.	4,314,334	5.67%
3	Fubon Life Insurance Co., Ltd.	3,885,000	5.10%

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current year. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

eMemory Technology Inc.

Chairman：Charles Hsu

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