Stock Code: 5471

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Sonix Technology Co., Ltd. and subsidiaries

Consolidated Financial Statements and Independent Auditor's Report

2020 and 2019

Address: 10F-1., No. 36, Taiyuan St., Zhubei City, Hsinchu County

TEL: (03)5600888

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Statement of Consolidated Financial Statements of Affiliated Enterprises

The companies to be included in the consolidated financial statements of affiliated enterprises in 2020 (from January 1, 2020 to December 31, 2020) pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those to be included in the consolidated financial statements of the parent company and subsidiaries pursuant to the IAS No. 10. Further, the related information to be disclosed in the consolidated financial statement of affiliated enterprises has been disclosed in the said consolidated financial statements of parent company and subsidiaries. Accordingly, it is not necessary for the Company to prepare the consolidated financial statements of affiliated enterprises separately.

Declared by:

Sonix Technology Co., Ltd.

Chairman: Samuel Chen

February 26, 2021

Independent Auditor's Report

To the Board of Directors and Shareholders of Sonix Technology Co., Ltd.:

Audit opinions

We have audited the accompanying consolidated balance sheets of Sonix Technology Co., Ltd. and its subsidiaries as of December 31, 2020 and 2019, and the related consolidated comprehensive income statements, consolidated statement of changes in shareholders' equity, consolidated cash flow statements, and notes to the consolidated financial statements (including significant accounting policies) for the years then ended.

In our opinion, based on our audits and the reports of other independent auditors (please refer to the Other Information), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sonix Technology Co., Ltd. and its subsidiaries as of December 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of regulations governing the preparation of financial statements by securities issuers and International Financial Reporting Standards, International Accounting Standards, and Interpretations endorsed and issued into effect by the Financial Supervisory Commission.

Basis for opinions

We conclude our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Generally Accepted Auditing Standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the consolidated financial statements. We are independent of Sonix Technology Co., Ltd. and subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 2020 consolidated financial statements of Sonix Technology Co., Ltd. and its subsidiaries. These matters were addressed in the content of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide separate opinions on those matters.

Key audit matters of the 2020 consolidated financial statements of Sonix Technology Co., Ltd. and its subsidiaries are as follows:

Occurrence of operating revenues

Sonix Technology Co., Ltd. and its subsidiaries are mainly engaged in the research and development, design, manufacture and sales of voice chips, microcontrollers, image processing chips, wireless audio and video solutions and optical recognition chips. Due to changes in the environment, the market demand for some products of Sonix Technology Co., Ltd. and subsidiaries has increased, and changes in sales revenues have a significant impact on SONIX's and its subsidiaries' financial statements for the year. There is a risk that the revenues recognized may not meet the criteria of International Financial Reporting. Accordingly, we have identified the occurrence of operating revenues from certain products as a key audit matter in our audit for this year. Please refer to Note 4 to the consolidated financial statements for the accounting policies and relevant disclosures related to operating revenues.

The key audit procedures performed by us in respect of the above key audit matter are as follows:

. Understand and test the design and effectiveness of key internal controls related to operating revenues.

We select samples from sales details, examine original certificates such as customer orders, shipment documents and invoices, and verify the receipt of payments to confirm whether there are any abnormalities in the occurrence of operating revenues.

Other information

In the consolidated financial statements referred to in the first paragraph, the 2019 financial statements of PARADIGM VENTURE CAPITAL COMPANY, which is an investment accounted for under the equity method, were audited by other CPAs. Accordingly, our opinion on the consolidated financial statements referred to above, which relates to the equity method investment in the investee and its investment gain or loss and the related information of the investment, is based on the audit report of other auditors. As of December 31, 2019, the balance of the above investments under the equity method, which were not audited by us, amounted to NT$7,836 thousand, representing 0.22% of the total consolidated assets of Sonix Technology Co., Ltd. and its subsidiaries The share of comprehensive income of the above-mentioned equity-method investees not audited by us amounted to NT$(66) thousand, representing (0.02%) of the consolidated total comprehensive income of Sonix Technology Co., Ltd. and its subsidiaries

Sonix Technology Co., Ltd. has prepared the standalone financial statements for the years ended December 31, 2020 and 2019, We have issued an audit report with unqualified option and other matters paragraph on record for reference.

Responsibilities of Management and Those in Charge with Governance of the Consolidated Financial Statements

The responsibility of management is to prepare fairly presented consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards interpretations, and announcements of interpretations recognized and published by the Financial Supervisory Commission and maintain necessary internal control related to the preparation of consolidation of financial statements in order to ensure material misstatement caused by fraud or error does not exist in the consolidated financial statements.

In preparing the consolidated financial statements, the management is also responsible for assessing the ability of Sonix Technology Co., Ltd. and its subsidiaries as a going concern, disclosing as applicable, matters related to a going concern and using the going concern basis of accounting. Unless the management either intends to liquidate Sonix Technology Co., Ltd. and its subsidiaries or to cease operations, or has no other realistic alternative but to do so.

Those in charge of governance (including the supervisors) are responsible for overseeing the reporting process of the financial statements of Sonix Technology Co., Ltd. and its subsidiaries.

Auditor's 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 auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted accounting principles will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Misstatements are considered material, individually or in 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 accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also performed the following works:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design, and perform countermeasures for assessed risks; and obtain evidence that is sufficient and appropriate to provide a basis of audit opinion. The risk of not detecting a material misstatement due to fraud is higher than that due to 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 internal control effective in Sonix Technology Co., Ltd. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Sonix Technology Co., Ltd. and subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. Future events or conditions may cause Sonix Technology Co., Ltd.and its subsidiaries to cease as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated statements, including related notes, whether the consolidated 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 or the entities or business activities of Sonix Technology Co., Ltd. and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the Group. 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 in charge of governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to affect on our independence, and other matters (including related protective measures).

Based on our communications with the governing units, we have determined the key audit matters that are relevant to our audit of the consolidated financial statements of Sonix Technology Co., Ltd. and its subsidiaries for the year ended December 31, 2020. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tung-Feng Lee and Yao-Ling Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China
February 26, 2021

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Sonix Technology Co., Ltd. and subsidiaries

Consolidated balance sheets

December 31, 2020 and 2019

Unit: Thousand NT$

Code	Assets	December 31, 2020 Amount	%.	December 31, 2019 Amount	%.
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 1,481,511	29	$ 724,611	20
1110	Financial assets at fair value through profit or loss - current (Note 4)	65,818	1	128,242	4
1136	Financial assets measured at amortized cost - current (Notes 4, 8 and 25)	373,452	8	293,495	8
1170	Notes and accounts receivable, net (Notes 4, 9 and 24)	664,814	13	405,982	11
130X	Net inventories (Notes 4, 5 and 10)	915,940	18	668,976	18
1470	Other current assets	47,463	1	59,128	2
11XX	Total current assets	3,548,998	70	2,280,434	63
	Noncurrent assets				
1517	Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 7)	537,651	11	346,200	9
1550	Investments accounted for using the equity method (Notes 4 and 12)	7,661	-	7,836	-
1600	Property, plant and equipment (Notes 4, 13 and 25)	751,930	15	756,572	21
1760	Investment property (Notes 4 and 14)	126,056	2	128,477	4
1780	Intangible assets (Notes 4 and 15)	67,554	1	56,365	2
1840	Deferred tax assets (Notes 4 and 20)	47,844	1	36,471	1
1920	Refundable deposits	4,675	-	5,508	-
1990	Other noncurrent assets	-	-	18,963	-
15XX	Total noncurrent assets	1,543,371	30	1,356,392	37
1XXX	Total assets	$ 5,092,369	100	$ 3,636,826	100
Code	**Liabilities and equity**				
	Current liabilities				
2170	Accounts payables	$ 494,841	10	$ 243,840	7
2200	Other payables (Note 16)	346,820	7	218,413	6
2230	Current income tax liabilities (Notes 4 and 20)	164,366	3	37,433	1
2399	Other current liabilities	13,188	-	19,671	-
21XX	Total current liabilities	1,019,215	20	519,357	14
	Noncurrent liabilities				
2551	Reserves for employee benefit liabilities (Note 4)	23,532	1	8,572	-
2570	Deferred tax liabilities (Notes 4 and 20)	15,621	-	10	-
2640	Net defined benefit liabilities (Notes 4 and 17)	22,835	-	24,137	1
2645	Deposits received	113,306	2	74,546	2
25XX	Total noncurrent liabilities	175,294	3	107,265	3
2XXX	Total liabilities	1,194,509	23	626,622	17
	Equity				
	Capital stock				
3110	Common stock	1,678,770	33	1,678,770	46
3200	Capital surplus - premium on issuance of shares	62,661	1	62,661	2
	Retained earnings				
3310	Legal reserve	903,337	18	869,185	24
3320	Special reserve	67,297	1	121,110	3
3350	Unappropriated earnings	1,038,500	21	345,547	10
3300	Total retained earnings	2,009,134	40	1,335,842	37
3400	Other equity	147,295	3	(67,069)	(2)
3XXX	Total equity	3,897,860	77	3,010,204	83
	Total liabilities and equity	$ 5,092,369	100	$ 3,636,826	100

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

(Please refer to the audit report dated February 26, 2021 of Deloitte and Touche)

Chairman: Samuel Chen General Manager: James Pao Accounting Manager: Hsiu-ling Lin

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Sonix Technology Co., Ltd. and subsidiaries

Consolidated income statements

January 1 to December 31, 2020 and 2019

Unit: Thousand NT$
But earnings per share are in NT$

		2020		2019	
Code		Amount	%.	Amount	%.
4000	Operating revenues (Notes 4 and 24)	$ 5,370,626	100	$ 3,234,503	100
5000	Operating costs (Notes 10 and 19)	3,088,156	58	1,945,279	60
5900	Operating gross profits	2,282,470	42	1,289,224	40
	Operating expenses (Notes 9, 15, 17, 19 and 24)				
6100	Marketing expenses	84,494	2	73,051	2
6200	Administrative expenses	189,665	3	153,388	5
6300	R&D expenses	772,242	14	700,909	22
6450	Reversal gain of expected credit impairment loss	(94)	-	(331)	-
6000	Total operating expenses	1,046,307	19	927,017	29
6900	Operating net profits	1,236,163	23	362,207	11
	Non-operating incomes and expenses				
7010	Other incomes (Notes 19 and 24)	25,040	1	30,877	1
7020	Other gains and losses (Notes 19 and 26)	(33,273)	(1)	(6,391)	-
7060	Share of profit or loss of affiliates accounted for under the equity method (Notes 4 and 12)	521	-	(66)	-
7100	Interest incomes (Note 19)	9,771	-	8,609	-
7000	Total non-operating incomes and expenses	2,059	-	33,029	1
7900	Net profits before tax	1,238,222	23	395,236	12
7950	Income tax expenses (Notes 4 and 20)	212,621	4	53,714	2
8200	Net profits for the year	1,025,601	19	341,522	10

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Code		2020 Amount	2020 %.	2019 Amount	2019 %.
	Other comprehensive Income				
	Items not to be reclassified as profit or loss				
8311	Remeasurement of defined benefit plan (Note 4 and 17)	$ 291	-	$ 2,070	-
8316	Unrealized valuation gains on investments in equity instruments measured at fair value through other comprehensive income	199,560	4	86,024	3
8320	Share of other comprehensive income of affiliated companies and joint ventures recognized under the equity method	(696)	-	(999)	-
8349	Income tax related to items not to be reclassified (Note 20)	(58)	-	(414)	-
8310		199,097	4	86,681	3
	Items that may be reclassified as profit or loss subsequently				
8361	Exchange differences on translation of financial statements of foreign operations	15,500	-	(31,212)	(1)
8300	Other comprehensive Income for the year	214,597	4	55,469	2
8500	Total comprehensive Income for the year	$ 1,240,198	23	$ 396,991	12
	Earnings per share (Note 21)				
9750	Basic	$ 6.11		$ 2.03	
9850	Diluted	$ 5.98		$ 2.00	

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

(Please refer to the audit report dated February 26, 2021 of Deloitte and Touche)

Chairman: Samuel Chen General Manager: James Pao Accounting Manager: Hsiu-ling Lin

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Sonix Technology Co., Ltd. and subsidiaries

Consolidated statements of changes in equity

January 1 to December 31, 2020 and 2019

Unit: Thousand NT$

Code		Capital stock (Note 18): Capital stocks (thousand shares)	Capital stock (Note 18): Amount	Capital surplus - premium on issuance of shares (Note 18)	Retained earnings (Note 18): Legal reserve	Retained earnings (Note 18): Special reserve	Retained earnings (Note 18): Unappropriated earnings	Retained earnings (Note 18): Total	Other equity (Notes 4 and 18): Exchange differences on translation of financial statements of foreign operations	Other equity (Notes 4 and 18): Unrealized gain or loss on financial assets at fair value through other comprehensive income	Other equity (Notes 4 and 18): Total	Total equity
A1	Balance as of January 1, 2019	167,877	$ 1,678,770	$ 62,661	$ 936,044	$ 21,894	$ 383,910	$ 1,341,848	($ 43,035)	($ 77,847)	($ 120,882)	$ 2,962,397
	Appropriation and distribution of 2018 earnings											
B1	Legal reserve	-	-	-	33,867	-	(33,867)	-	-	-	-	-
B3	Special reserve	-	-	-	-	99,216	(99,216)	-	-	-	-	-
B5	Cash dividends	-	-	-	-	-	(248,458)	(248,458)	-	-	-	(248,458)
T1	Cash payment from legal reserve	-	-	-	(100,726)	-	-	(100,726)	-	-	-	(100,726)
D1	2019 net profits	-	-	-	-	-	341,522	341,522	-	-	-	341,522
D3	2019 other comprehensive Income	-	-	-	-	-	1,656	1,656	(31,212)	85,025	53,813	55,469
D5	2019 total comprehensive income	-	-	-	-	-	343,178	343,178	(31,212)	85,025	53,813	396,991
Z1	Balance as of December 31, 2019	167,877	1,678,770	62,661	869,185	121,110	345,547	1,335,842	(74,247)	7,178	(67,069)	3,010,204
	Appropriation and distribution of 2019 earnings											
B1	Legal reserve	-	-	-	34,152	-	(34,152)	-	-	-	-	-
B3	Special reserve	-	-	-	-	(53,813)	53,813	-	-	-	-	-
B5	Cash dividends	-	-	-	-	-	(352,542)	(352,542)	-	-	-	(352,542)
D1	2020 net profits	-	-	-	-	-	1,025,601	1,025,601	-	-	-	1,025,601
D3	2020 other comprehensive Income	-	-	-	-	-	233	233	15,500	198,864	214,364	214,597
D5	2020 total comprehensive income	-	-	-	-	-	1,025,834	1,025,834	15,500	198,864	214,364	1,240,198
Z1	Balance as of December 31, 2020	167,877	$ 1,678,770	$ 62,661	$ 903,337	$ 67,297	$ 1,038,500	$ 2,009,134	($ 58,747)	$ 206,042	$ 147,295	$ 3,897,860

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

(Please refer to the audit report dated February 26, 2021 of Deloitte and Touche)

Chairman: Samuel Chen General Manager: James Pao Accounting Manager: Hsiu-ling Lin

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Sonix Technology Co., Ltd. and subsidiaries

Consolidated cash flow statements

January 1 to December 31, 2020 and 2019

Unit: Thousand NT$

Code		2020	2019
	Cash flow from operating activities		
A10000	Net profits before tax	$ 1,238,222	$ 395,236
A20010	Income and expense items		
A20100	Depreciation expenses	81,929	59,773
A20200	Amortization expenses	14,311	17,308
A20300	Reversal gain of expected credit impairment loss	(94)	(331)
A20400	Net loss (gain) on financial assets at fair value through profit or loss	1,928	(2,397)
A21200	Interest incomes	(9,771)	(8,609)
A21300	Dividend incomes	(5,541)	(8,546)
A22300	Share of profit or loss of affiliated companies under the equity method	(521)	66
A22500	Loss on disposal of Property, plant and equipment	1	103
A22700	Gain on disposal of investment property	-	(7,669)
A23700	Loss on decline in value of inventories and loss on scraps	12,292	1,518
A24100	Net foreign currency exchange loss (gain)	(3,736)	100
A30000	Net change in operating assets and liabilities		
A31150	Notes and accounts receivable	(261,040)	(21,866)
A31200	Inventories	(259,323)	(102,867)
A31240	Other current assets	8,067	(16,765)
A32150	Accounts payables	251,642	64,462
A32180	Other payables	130,314	10,951
A32200	Reserves for employee benefit liabilities	14,960	2,427
A32230	Other current liabilities	(6,439)	7,973
A32240	Net defined benefit liabilities	(1,011)	(892)
A33000	Cash generated from operations	1,206,190	389,975
A33100	Interests received	10,130	9,429
A33200	Dividends received	13,852	22,788
A33500	Income tax paid	(78,392)	(57,853)
AAAA	Net cash inflow from operating activities	1,151,780	364,339

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Code		2020	2019
	Cash flow from investment activities		
B00040	Acquisition of financial assets measured at amortized cost	($ 79,896)	($ 104,968)
B00100	Acquisition of financial assets at fair value through profit or loss	(90,000)	(100,000)
B00200	Sale of financial assets at fair value through profit or loss	150,496	151,514
B02700	Purchase of property, plant and equipment	(68,525)	(52,728)
B02800	Proceeds from disposal of Property, plant and equipment	-	14
B03800	Decrease in refundable deposits	420	492
B04500	Purchase of intangible assets	(25,477)	(13,853)
B05500	Proceeds from disposal of investment property	-	35,978
B06700	Decrease (increase) in other noncurrent assets	18,963	(18,879)
BBBB	Net cash outflow from investment activities	(94,019)	(102,430)
	Cash flow from financing activities		
C03000	Collection of deposits received	42,120	15,356
C04500	Payment of cash dividends	(352,542)	(349,184)
CCCC	Net cash outflow from financing activities	(310,422)	(333,828)
DDDD	Effect of exchange rate changes on cash and cash equivalents	9,561	4,182
EEEE	Net increase (decrease) in cash and cash equivalents	756,900	(67,737)
E00100	Cash and cash equivalents at the beginning of the year	724,611	792,348
E00200	Cash and cash equivalents at the end of the year	$ 1,481,511	$ 724,611

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

(Please refer to the audit report dated February 26, 2021 of Deloitte and Touche)

Chairman: Samuel Chen   General Manager: James Pao   Accounting Manager: Hsiu-ling Lin

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Sonix Technology Co., Ltd. and subsidiaries

Notes to consolidated financial statements

January 1 to December 31, 2020 and 2019

(Amounts in thousands of NT, unless otherwise stated)

I. Company history

Sonix Technology Co., Ltd. (hereinafter referred to as "the Company") was established in July 1996 and is mainly engaged in the research and development, design and manufacturing, trading and distribution, and import and export of semiconductors.

The Company became an OTC listed company on 11/27/2000 and applied to the Securities and Futures Commission of the Ministry of Finance on 6/27/2003 to transfer its listing to the Taiwan Stock Exchange and was approved by the Taiwan Stock Exchange Corporation on 7/25/2003 to be listed and traded on the Taiwan Stock Exchange from 8/25/2003.

The consolidated financial statements are presented in NT$, the functional currency of the Company.

II. Date and Procedure for Approval of Financial Statements

The consolidated financial statements were approved by the Board of Directors on February 26, 2021.

III. Application of New and Revised Standards and Interpretation

(i) First-time application of International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IAS"), Interpretations ("IFRICs") and Interpretations ("SICs") (hereinafter referred to as "IFRSs") endorsed by the Financial Supervisory Commission ("FSC") and issued to be effective

Except as noted below, the adoption of the IFRSs endorsed and issued into effect by the FSC will not result in significant changes in the Consolidated Company's accounting policies.

Amendments to IAS 1 and IAS 8 "Definition of Materiality

Effective January 1, 2020, the Company adopted the amendment to change the materiality threshold to "could reasonably be expected to affect users" and adjusted the disclosure of financial statements to remove immaterial information that could obscure material information.

(ii) IFRSs endorsed by the Financial Supervisory Commission (hereinafter referred to as "FSC") applicable for 2021.

The new/amended/revised standards or interpretation	Effective date of IASB publication
Amendment to IFRS 4 "Extension of Provisional Exemption for Application of IFRS 9"	Effective from the date of publication
Amendments to the IFRS 9, IAS 39, and IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase II”	Effective for annual reporting periods beginning after January 1, 2021
Amendment to IFRS 16 "Rent Reduction associated with COVID-19 pandemic."	Effective for annual reporting periods beginning after June 1, 2020.

As of the date of publication of this financial report, the Consolidated Company has still been evaluating the impact of the amendments to other standards and interpretations on its financial position and financial performance, which will be disclosed when the evaluation is completed.

(iii) The IFRSs released by the IASB but not yet endorsed and issued into effect by the FSC

The new/amended/revised standards or interpretation	Effective date of IASB publication (Note 1)
“Annual Improvements 2018 - 2020 Cycle”	January 1, 2022 (Note 2)
Amendment to IFRS 3 "Update the index of the conceptual framework."	January 1, 2022 (Note 3)
Amendment to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Affiliate or Joint Venture.”	Undecided
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendment to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2023
Amendment to IAS 1 "Disclosure of Accounting Policies."	January 1, 2023 (Note 6)
Amendment to IAS 8 "Definition of Accounting Estimates."	January 1, 2023 (Note 7)
Amendment to IAS 16 "Property, plant and equipment: price before reaching the intended state of use"	January 1, 2022 (Note 4)
Amendment to IAS 37 "Onerous Contracts - Cost of Performing Contracts."	January 1, 2022 (Note 5)

Note 1: Unless otherwise stated, the aforementioned new/amended/revised standards or interpretation are effective for annual reporting periods beginning after the respective dates.

Note 2: The amendment to IFRS 9 applies to swaps or changes in the terms of financial liabilities that occur in annual reporting periods beginning after January 1, 2022; the amendment to IAS 41, “Agriculture," applies to fair value measurements in annual reporting periods beginning after January 1, 2022; and the amendment to IFRS 1, “First-time Adoption of IFRSs," applies retrospectively to annual reporting periods beginning after January 1, 2022.

Note 3: This amendment applies to business mergers for which the acquisition date falls within the annual reporting period after January 1, 2022.

Note 4: This amendment applies to plant, property and equipment that begins to operate in the manner such as location and condition expected by management after January 1, 2021.

Note 5: This amendment applies to contracts with unfulfilled obligations as of January 1, 2022.

Note 6: This amendment will be applicable for annual reporting periods beginning after January 1, 2023.

Note 7: This amendment applies to changes in accounting estimates and changes in accounting policies that occur in annual reporting periods beginning after January 1, 2023.

1. Amendment to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Affiliate or Joint Venture.”

   The amendment provides that if the Consolidated Company sells or contributes an asset to an affiliated party (or joint venture), or if the Consolidated Company loses control of a subsidiary but retains significant influence (or joint control) over the subsidiary, the Consolidated Company recognizes all of the gains or losses resulting from such transactions if the aforementioned asset or former subsidiary meets the definition of "business merger" for "business" under IFRS 3.

   In addition, if the Consolidated Company sells or contributes an asset to an affiliate (or joint venture), or if the Consolidated Company loses control of a subsidiary in a transaction with an affiliate (or joint venture) but retains significant influence (or joint control) over the subsidiary, the Consolidated Company recognizes a gain or loss on the transaction only to the extent that it is not related to the investor's interest in the affiliate (or joint venture) if the aforementioned asset or former subsidiary does not meet the definition of "business" under IFRS 3. Gains or losses arising from such transactions are recognized to the extent that they do not relate to the investor's interest in the affiliate (or joint venture), i.e., the Consolidated Company's share of such gains or losses is eliminated.

2. Amendment to IAS 1 “Classification of Liabilities as Current or Noncurrent”

The amendment aims to clarify whether a liability is classified as noncurrent; the Consolidated Company should assess whether it has the right to defer settlement at the end of the reporting period for at least 12 months after the reporting period. If the Consolidated Company has such a right as of the end of the reporting period, the liability is classified as noncurrent whether or not the Consolidated Company exercises its right to defer settlement of a liability. The amendment aims to clarify if the Consolidated Company is required to comply with certain conditions in order to have the right to defer settlement of a liability. The Consolidated Company must have complied with specific conditions as of the end of the reporting period, even if the lender tests whether the Consolidated Company has complied with those conditions at a later date.

The amendment provides the purpose to clarify that settlement refers to the transfer to the counterparty of cash, other economic resources or equity instruments of the Consolidated Company that results in the extinguishment of the liability. However, if the terms of the liability may result in transferring the Consolidated Company’s equity instruments at the option of the counterparty, and if the option is separately recognized in equity in accordance with IAS 32, “Financial Instruments: Presentation,” the above-mentioned provisions do not affect the classification of the liability.

3. “Annual Improvements 2018 - 2020 Cycle”

The amendment to IFRS 9, "Financial Instruments," to assess whether there is a material difference between the exchange or modification of the terms of a financial liability and whether there is a 10% difference in the discounted cash flows (including the net fees received for entering into new or modified contracts) between the terms of the old and new contracts, should only include fees received by the borrower and the lender. The above fees shall only include fees received and paid between the borrower and the lender.

4. Amendment to IAS 16 "Property, plant and equipment: price before reaching the intended state of use"

   The amendment provides that the sale price of output items of property, plant and equipment produced to bring them to the location and condition necessary to meet management's expectations for the manner in which they will be operated is not appropriate as a deduction to the cost of those assets. The aforementioned output items should be measured in accordance with IAS 2, "Inventories," and the sales price and cost should be recognized in profit or loss in accordance with the applicable standards.

   The amendment applies to plant, property and equipment in the locations and condition necessary to achieve management's intended location mode of operation after January 1, 2021, and the information for the comparative period shall be restated when the amendment is first applied by the Consolidated Company.

5. Amendment to IAS 1 "Disclosure of Accounting Policies."

   The amendment specifies that the Consolidated Company shall determine the material accounting policy information to be disclosed based on the definition of materiality. Accounting policy information is considered material if it could reasonably be expected to affect the decisions of the primary users of the general-purpose financial statements based on those financial statements. The amendment also clarifies:

   - Accounting policy information related to immaterial transactions, other events or circumstances is immaterial and the Consolidated Company is not required to disclose such information.
   - The Consolidated Company may determine that related accounting policy information is material because of the nature of the transactions, other events or circumstances, even if the amount is not material.
   - Not all accounting policy information related to significant transactions, other events or circumstances is material.

   In addition, the amendment provides examples of accounting policy information that may be material if it relates to significant transactions, other events or circumstances and under the following circumstances, the information may be material:

(1) A change in the Consolidated Company's accounting policy during the reporting period that results in a material change in financial statement information.

(2) The Consolidated Company selects applicable accounting policies from among the options permitted by the standards.

(3) Due to the lack of specific standards, the Consolidated Company establishes accounting policies in accordance with IAS 8 "Accounting Policies, Changes and Errors in Accounting Estimates";

(4) The Consolidated Company discloses the relevant accounting policies that require the application of significant judgments or assumptions; or

(5) that it involves complex accounting requirements when users of financial statements rely on such information to understand such significant transactions, other events or circumstances.

6. Amendment to IAS 8 "Definition of Accounting Estimates."

The amendment explicitly specifies that accounting estimate represents the monetary amounts in the financial statements that are subject to measurement uncertainty. In applying accounting policies, the Consolidated Company may need to measure financial statement items using monetary amounts that are not directly observable but must be estimated, and therefore measurement techniques and input values are required to create accounting estimates for this purpose. The effect of changes in measurement techniques or input values on accounting estimates that are not corrections of prior period errors are accounted for as changes in accounting estimates.

In addition to the above effects, as of the date of publication of this financial report, the Consolidated Company has still been evaluating the impact of the amendments to other standards and interpretations on its financial position and financial performance, which will be disclosed when the evaluation is completed.

IV. Summary of Significant Accounting Policies

(i) Compliance Statement

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved and published by the FSC.

(ii) Basis of preparation

The consolidated financial statements were prepared on the historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of the defined benefit obligation less the fair value of plan assets.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of the related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).
2. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
3. Level 3 input value: the unobservable input value of asset or liability.

(iii) Standards in differentiating current and noncurrent assets and liabilities

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months of the balance sheet date; and
3. Cash and cash equivalents (excluding those that are restricted for exchanging or settling liabilities more than 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities due for settlement within 12 months after the balance sheet date (even if a long-term refinancing or rescheduling agreement is completed after the balance sheet date and prior to the publication of the financial statements), and
3. Liabilities whose settlement deadline cannot be unconditionally deferred until at least 12 months after the balance sheet date.

Those that are not current assets or liabilities above are classified as noncurrent assets or liabilities.

(iv) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and entities controlled by the Company (subsidiaries). The consolidated comprehensive income statements include the operating profits or losses of the acquired or disposed subsidiaries for the period from the date of acquisition or up to the date of disposal. The subsidiaries' financial statements have been properly adjusted to make the accounting policies consistent with the accounting policies of the Consolidated Company. In preparing the consolidated financial statements, all inter-company transactions, account balances, gains and losses have been eliminated. The total comprehensive income of the subsidiaries is attributable to shareholders of the Company and non-controlling interests, even if the non-controlling interests become a loss balance as a result.

When a change in the Consolidated Company's ownership interest in a subsidiary does not result in a loss of control, it is treated as an equity transaction. The carrying amounts of the Consolidated Company and non-controlling interests have been adjusted to reflect the changes in their relative interests in subsidiaries. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity attributable to shareholders of the Company.

Please refer to Note 11 and Exhibit 5 and 6 for details of subsidiaries, shareholding and principal businesses.

(v) Foreign currency

For the transactions conducted in a currency other than the business entity's functional currency, it is to be translated to the functional currency in accordance with the exchange rate on the transaction date when preparing the standalone financial statements.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. The exchange differences arising from the settlement of monetary items or translating monetary items are recognized in the current profit or loss.

The foreign non-currency items measured at fair value are translated in accordance with the exchange rate on the fair value determination date and the exchange difference is booked as profit or loss in the period. However, for the changes in fair value recognized in other comprehensive income, the exchange difference is recorded in other comprehensive income.

The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

Upon preparation of the consolidated financial reports, the assets and liabilities of overseas operating institutions (including the subsidiaries and affiliates in the countries of business operation or those using currencies different from the Company's) were converted to New Taiwan dollars based on the exchange rate quoted on every balance sheet date. Income and expense items are translated at the average exchange rate for the year and the exchange differences are booked in other comprehensive income.

(vi) Inventories

Inventories include raw materials, work in process, finished goods, and purchased merchandise Inventories are valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. Net realizable value refers to the estimated sale price under normal circumstances net of the estimated cost needed to complete the project and the estimated expenses needed to complete the sale. The cost of inventories is calculated using the weighted-average method.

(vii) Investments in affiliates

The term "affiliate" as set forth herein denotes an enterprise which has significant effect upon the Consolidated Company but is not a subsidiary or a joint venture.

The Consolidated Company adopts the equity method for investment in affiliates.

Under the equity method, investments in affiliates were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the affiliates and other comprehensive profit or loss by the Consolidated Company. Additionally, the change in the interests the Consolidated Company holds in the associates was recognized pro rata to the shareholding percentages.

The excess of the acquisition cost over the Consolidated Company's share of the net fair value of the identifiable assets and liabilities of the affiliates at the acquisition date is recorded as goodwill, which is included in the carrying amount of the investment and is not amortized; the excess of the Consolidated Company's share of the net fair value of the identifiable assets and liabilities of the affiliates at the acquisition date over the acquisition cost is recorded as gain or loss for the period.

If the Consolidated Company does not subscribe for new shares of an affiliate in proportion to its shareholding, resulting in a change in the Consolidated Company's shareholding and an increase or decrease in the net equity of the investment, the increase or decrease is adjusted to capital surplus - change in net worth in affiliates and joint ventures accounted for using the equity method and investments accounted for using the equity method. However, if the ownership interest in an affiliate is reduced as a result of subscription or acquisition without proportionate shareholding, the amount recognized in other comprehensive income related to the affiliate is reclassified in proportion to the reduction on the same basis as that required for the direct disposal of the related assets or liabilities of the affiliate; if the former adjustment is charged to capital surplus and the balance of capital surplus from investments accounted for using the equity method is insufficient, the difference is charged to retained earnings.

When the Consolidated Company's share of losses in an affiliate equals or exceeds its equity interest in the affiliate (including the carrying amount of the affiliate under the equity method and other long-term equity interests that are in substance a component of the Consolidated Company's net investment in the affiliate), the Consolidated Company shall cease to recognize further losses. The Consolidated Company recognizes additional losses and liabilities only to the extent that legal obligations, constructive obligations or payments on behalf of affiliates have been incurred.

The Consolidated Company assesses impairment by comparing the recoverable amount to the carrying amount of an investment as a whole (including goodwill) as a single asset. The impairment loss recognized is also part of the carrying amount of the investment. Any reversal of impairment loss can be recognized to the extent that the recoverable amount of the investment subsequently increases.

The Consolidated Company ceases to adopt the equity method from the date its investment ceases to be an affiliate, and its retained equity interest in the affiliate is measured at fair value. The difference between the fair value and the disposal price and the carrying amount of the investment on the date of cessation of the equity method is recognized in profit or loss for the period. In addition, all amounts recognized in other comprehensive income related to such affiliates are accounted for on the same basis as if the related assets or liabilities were directly disposed of by the affiliates. If an investment in an affiliate becomes a joint venture or an investment in a joint venture becomes an investment in an affiliate, the Consolidated Company continues to use the equity method without remeasuring the retained equity interest.

Gains or losses from upstream downstream and side-stream transactions with affiliates are recognized in the consolidated financial statements only to the extent that they are not related to the Consolidated Company's equity interest in the affiliates.

(viii) Property, plant and equipment

Property, plant, and equipment shall be recognized based on cost. Subsequent costing shall be measured on the cost net of accumulated depreciations and accumulated impairments.

Property, plant and equipment are depreciated separately over their useful lives on a straight-line basis for each significant component. The Consolidated Company reviews the estimated useful lives, residual values and depreciation methods at least at the end of each year and defers the effect of changes in applicable accounting estimates.

When property, plant and equipment is derecognized, the difference between the net disposal price and the carrying amount of the assets is recognized in profit or loss.

(ix) Investment property

Investment property refers to real estate held for the purpose of earning rent or capital appreciation or both.

Self-owned investment property is initially measured at cost (including transaction costs) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The Consolidated Company provides depreciation on a straight-line basis.

When investment property is derecognized, the difference between the net disposal price and the carrying amount of the assets is recognized in profit or loss.

(x) Intangible assets

1. Acquired separately

Intangible assets with finite useful lives acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment. Intangible assets are amortized on a straight-line basis over their useful lives. The Consolidate Company reviews the estimated useful lives, residual values and amortization methods at least at the end of each year and defers the effect of changes in applicable accounting estimates and defers the effect of changes in applicable accounting estimates.

Intangible assets with indefinite useful lives are stated at cost less accumulated impairment.

2. Derecognition

When intangible asset is derecognized, the difference between the net disposal price and the carrying amount of the assets is recognized in profit or loss.

(xi) Impairment of property, plant and equipment and intangible assets

The Consolidated Company assesses on each balance sheet date whether there is any indication that property, plant and equipment, and intangible assets may have been impaired. If there is any indication of impairment, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the Consolidated Company is to estimate the recoverable amount of the respective cash-generating unit.

Intangible assets with indefinite useful lives and not yet available for use are tested for impairment at least annually and whenever there is an indication of impairment.

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

When the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the adjusted recoverable amount, provided that the increased carrying amount does not exceed the carrying amount (net of amortization or depreciation) that would have become if the impairment loss had not been recognized in prior years for that asset or cash-generating unit. Reversal of impairment loss is recognized in profit or loss.

(xii) Financial instruments

When the Consolidated Company has become a party to the instrument contract, the financial assets and financial liabilities are to be recognized in the consolidated balance sheet.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial assets

   The regular transaction of financial assets is recognized and derecognized in accordance with the trade date accounting.

   (1) Type of measurement

       The types of financial assets held by the Consolidated Company are financial assets at fair value through profit or loss, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income.

       A. Financial assets at fair value through profit or loss

          Financial assets at fair value through profit or loss are financial assets mandatorily measured at fair value through profit or loss.

          Financial assets at fair value through profit or loss are measured at fair value, and dividends, interest and remeasurement gains or losses are recognized in other gains and losses. Please refer to Note 23 for the determination of fair value.

       B. Financial assets measured at amortized cost

          The Consolidated Company's financial assets, if meeting both of the following conditions, are classified as financial assets at amortized cost:

          a. Financial assets held under a particular mode of operation and the purpose of holding is for the collection of contractual cash flows; and

          b. The terms of the contracts give rise to cash flows at specified dates that are solely for the payment of principal and interest on the outstanding principal amount.

          Financial assets (including cash and cash equivalents, notes receivable, accounts receivable measured at amortized cost), after initial recognition, are measured at their total carrying amount determined using the effective interest method, less amortized cost of any impairment loss, with any foreign currency exchange gain or loss recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial assets, except for the following two cases.

a. Interest income on financial assets that are credit-impaired upon acquisition or creation is calculated using the credit-adjusted effective interest rate multiplied by the amortized cost of the financial assets.
b. Interest income on financial assets that are not credit-impaired upon acquisition or creation but become credit-impaired subsequently is calculated using the effective interest rate multiplied by the amortized cost of the financial assets from the next reporting period after the impairment.

Credit-impaired financial assets are those for which the issuer or the debtor has experienced significant financial difficulties, defaulted, or where it is probable that the debtor will declare bankruptcy or other financial reorganization, or where an active market for the financial assets has disappeared due to financial difficulties.

Cash equivalents include time deposits that are highly liquid, readily convertible into fixed amount of cash with minimal risk of changes in value within 3 months from the acquisition date and are used to meet short-term cash commitments.

C. Investments in equity instruments measured at fair value through other comprehensive income

The Consolidated Company may make an irrevocable choice at the time of initial recognition for designating the investment of equity instruments not available-for-sale and not recognized by the acquirer under corporate merger and acquisition or with consideration at fair value through other comprehensive income for measurement.

Investment in equity instruments at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value will be recognized as other comprehensive income and accumulated into other equity. In the disposition of assets, accumulated gains or loss shall be directly transferred to retained earnings without classification as income.

The dividend of the investment of equity instruments at fair value through other comprehensive income shall be recognized as income when the right of the Consolidated Company in the collection of dividends is ascertained, unless the dividend is obviously representing the recovery of the cost of investment in part.

(2) Impairment of financial assets

The Consolidated Company at each balance sheet date assesses the impairment loss of financial assets (including accounts receivable) at amortized cost according to the expected credit loss.

An allowance for losses is recognized for accounts receivable based on the expected credit loss over the duration. Other financial assets are first evaluated to determine whether there is a significant increase in credit risk since initial recognition. If there is no significant increase, an allowance for loss is recognized based on the expected credit loss over 12 months, and if there is a significant increase, an allowance for loss is recognized based on the expected credit loss over the duration.

Expected credit loss is a weighted average credit loss based on the risk of default. Expected credit loss in a 12-month period represents the expected credit loss arising from possible defaults of the financial instruments within 12 months after the reporting date, and the ongoing expected credit loss represents the expected credit loss arising from all possible defaults of the financial instruments during the expected life of the financial instruments.

For internal credit risk management purposes, the Consolidated Company, without considering the collateral, determines the following circumstances indicating that a default has occurred on the financial instrument:

A. There is internal or external information indicating that the debtor is no longer able to pay their debts.

Payments are overdue for more than 180 days, unless there is reasonable and supporting information showing that the delayed default benchmark is more appropriate.

The carrying amount of all financial assets is reduced through an allowance account, except for the allowance for losses on investments in debt instruments measured at fair value through other comprehensive income, which is recognized in other comprehensive income and does not reduce the carrying amount.

(3) Derecognition of financial assets

The Consolidated Company has financial assets derecognized only when the contractual rights from the cash flows of a financial asset become invalid or when the financial assets are transferred, and almost all the risks and rewards of the asset ownership have been transferred to other enterprises.

When a particular entry of financial assets measured at amortized cost is removed, the difference between its book value and consideration shall be recognized as income. When particular equity instruments measured at fair value through comprehensive income are entirely derecognized, the accumulated gains of loss shall be directly transferred to retained earnings without being classified as profit or loss.

2. Equity instruments

The debt and equity instruments issued by the Consolidated Company are classified as financial liabilities or equity pursuant to the contractual agreements and the definition of financial liabilities and equity instruments.

Equity instruments issued by the Consolidated Company are recognized for an amount after deducting the direct issuing cost from the proceeds collected.

The retrieval of the Consolidated Company's own equity instruments is recognized and deducted under equity. The Consolidated Company’s equity purchased, sold, issued, or cancelled is not recognized in the profit or loss.

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

When derecognizing financial liabilities, the difference between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized as profit or loss.

(xiii) Recognition of revenues

The Consolidated Company, after identifying the performance obligations, had the transaction price amortized to each performance obligation and recognized as income when the performance obligations were fulfilled.

If the Consolidated Company enters into several contracts with the same customer (or a related party of the customer) almost simultaneously, the Consolidated Company treats them as a single contract because the goods or services promised in these contracts are a single performance obligation.

<u>Revenues from merchandise sales</u>

Revenues from merchandise sales are derived from sales of consumer IC and multimedia IC products. The Consolidated Company recognizes revenues and accounts receivable at the point when the consumer IC and multimedia IC products arrive at the customer's designated location because the customer has the right to set the price and use the products and has the primary responsibility for reselling the products and bears the risk of obsolescence of the products.

When materials are supplied to subcontractors for processing, the control and the ownership of the processed products have not been transferred, so revenues are not recognized for the materials supplied.

(xiv) Lease

The Consolidated Company assesses whether a contract is (or contains) a lease at the contract inception date.

1. The Consolidated Company is the lessor

A lease is classified as a capital lease when the terms and conditions of the lease transfer substantially all the risks and rewards incidental to the ownership of the asset to the lessee. All other leases are classified as operating leases.

Under operating leases, rental payments, net of lease incentives, are recognized as income on a straight-line basis over the period of the relevant lease.

When a lease includes both land and building elements, the Consolidated Company assesses the classification of each element as a capital lease or an operating lease based on whether substantially all the risks and rewards attached to the ownership of each element have been transferred to the lessee. Lease payments are apportioned to the land and buildings in proportion to the fair value of the leasehold rights of the land and buildings at the date of contract formation. If lease payments can be reliably allocated to these two elements, each element is treated in accordance with the applicable lease classification. If lease payments cannot be reliably allocated to these two elements, the lease as a whole is classified as a capital lease, but if both elements clearly meet the criteria for an operating lease, the lease as a whole is classified as an operating lease.

2. The Consolidated Company is the lessee

Right-of-use assets and lease liabilities are recognized at the lease inception date, except for leases of low-value underlying assets to which the recognition exemption applies and short-term leases for which lease payments are recognized as expenses on a straight-line basis over the lease period.

Right-of-use assets are measured initially at cost (consisting of the original measurement amount of the lease liability, lease payments made before the inception date of the lease less lease incentives received, original direct cost and estimated cost of restoration of the subject asset) and subsequently at cost less accumulated depreciation and accumulated impairment, and the remeasurement of the lease liability is adjusted. The right-of-use assets are expressed separately in the consolidated balance sheet.

The right-of-use assets are depreciated on a straight-line basis over the period starting from the lease inception date to the end of their useful lives or the expiration of the lease period, whichever is sooner.

Lease liabilities are measured initially at the present value of lease payments. If the implicit interest rate of the lease is readily determinable, the lease payments are discounted using that rate. If that rate is not readily determinable, the lessee's incremental borrowing rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, and interest expense is amortized over the lease period. If a change in the lease term results in a change in future lease payments, the Consolidated Company remeasures the lease liability and adjusts the right-of-use asset accordingly. However, if the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in profit or loss. The lease liabilities are expressed separately in the consolidated balance sheet.

(xv) Employee benefits

1. Short-term employee benefits

Liabilities related to short-term employee benefits are measured at the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

Under defined contribution pension plan, the pension amount appropriated during the service years of the employees is recognized as an expense.

The defined benefit cost (including service cost, net interest and remeasurement) of defined benefit pension plan is actuarially determined using the projected unit credit method. Service cost (including current service cost) and net interest on net defined benefit liabilities (assets) are recognized as employee benefit expense as incurred. Remeasurements (including actuarial gains and losses and return on plan assets, net of interest) are recognized in other comprehensive income and included in retained earnings as incurred and are not reclassified to profit or loss in subsequent periods.

The net defined benefit liability (asset) represents the deficit (remaining) of the defined benefit pension plan appropriation. The net defined benefit asset may not exceed the present value of refunds of appropriations from the plan or reductions in future appropriations.

3. Other long-term employee benefits

Other long-term employee benefits are accounted for in the same manner as the defined benefit pension plan, except that the related remeasurement is recognized in profit or loss.

4. Severance benefits

The Consolidated Company recognizes a liability for severance benefits when the offer of severance benefits can no longer be revoked or when the related restructuring costs are recognized, whichever is earlier.

(xvi) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Income tax for the period

The Consolidated Company determines income (loss) for the period in accordance with the regulations enacted by the income tax reporting jurisdictions and calculates income tax payable (recoverable) accordingly.

Additional Income tax on unappropriated earnings calculated in accordance with the ROC Income Tax Act is recognized in the year in which resolutions are made at the shareholder meeting.

The adjustment to prior years' income tax payable is booked as current period's income tax.

2. Deferred income tax

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities and the tax bases used to compute taxable income.

Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which income tax credits can be utilized, such as deductions for temporary differences, loss carryforwards and investment tax credits for R&D expenditures.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, affiliates and joint ventures, except where the Consolidated Company can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences associated with such investments only to the extent that it is probable that sufficient taxable income will be available to allow the temporary differences to be realized and to the extent that a reversal is expected in the foreseeable future.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient tax assets will be available to allow recovery of all or part of the asset. part of the asset should be adjusted down. Deferred tax assets that were not recognized as such initially are reviewed on each balance sheet date and the carrying amount is increased to the extent that it is probable that future taxable income will be available to recover all or part of the assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled or the asset is realized, which are based on tax rates and tax laws that have been legislated or substantively legislated on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequence resulting from the book value of the assets or liabilities expected to be recovered or liquidated on the balance sheet date.

3. Current and deferred income tax

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive income or directly included in the equity are recognized in other comprehensive income or directly included in the equity.

If the current income tax or deferred income tax arises from a business merger, the income tax effect is included in the accounting for the business merger.

V. <u>Significant Accounting Judgments and Estimations, and Main Sources of Assumption Uncertainties</u>

When the Consolidated Company adopts accounting policies, the Consolidated Company's management is required to make judgments, estimates and assumptions that are based on historical experience and other factors that are not readily apparent from other sources Actual results may differ from estimates.

The Consolidated Company has taken the economic impact of the COVID-19 pandemic into consideration for significant accounting estimates, and management will review the estimates and underlying assumptions on an ongoing basis. If a revision of an estimate affects only the current period, it is recognized in the period in which it is revised. If a revision of an accounting estimate affects both the current and future periods, it is recognized in the period in which it is revised and in the future periods.

<u>Estimations, and Main Sources of Assumption Uncertainties</u>

<u>Impairment of inventories</u>

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs to complete the production and the estimated costs to complete the sale, which are based on current market conditions and historical sales experience of similar products. Changes in market conditions may materially affect the results of these estimates.

VI. Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	$ 208	$ 148
Bank checking and demand deposits	1,052,253	459,020
Cash equivalents (Investments with an original maturity of less than 3 months)		
Bank time deposits	106,160	109,160
Bonds with repurchase agreement	322,890	156,283
	$ 1,481,511	$ 724,611

The interest rate ranges for bank deposits and bonds with repurchase agreement as of the balance sheet date were as follows:

	December 31, 2020	December 31, 2019
Bank demand deposits	0.001%～2.025%	0.001%～0.48%
Bank time deposits	0.12%～0.4%	0.6%～2%
Bonds with repurchase agreement	1%	2.3%～2.5%

VII. Financial assets at fair value through other comprehensive income

	December 31, 2020	December 31, 2019
Noncurrent		
Domestic investment		
Listed stock		
Common stock of CHAMPION MICROELECTRONIC CORP.	$524,523	$333,274
Non-listed stock		
Common stock of OURS TECHNOLOGY INC.	34	34
Foreign investment		
Non-listed company		
Shenzhen YSX Electronics Co.,Ltd.	13,094	12,892
	$537,651	$346,200

The Consolidated Company invests in CHAMPION MICROELECTRONIC CORP, OURS TECHNOLOGY INC. and Shenzhen YSX Electronics Co.,Ltd. for medium- to long-term strategic purposes and expects to make profits from the long-term investments. The Consolidated Company's management believes that it would be inconsistent with the aforementioned long-term investment plan to include short-term fair value fluctuations of these investments in profit or loss, and has therefore elected to designate these investments as measured at fair value through other comprehensive income.

VIII. Financial assets measured at amortized cost

	December 31, 2020	December 31, 2019
Current		
Domestic investment		
Time deposits with original maturity of more than 3 months	$261,543	$261,027
Foreign investment		
Time deposits with original maturity of more than 3 months	111,909	32,468
	$373,452	$293,495

(i) As of December 31, 2020 and 2019, the interest rate ranges for time deposits with original maturities of more than 3 months were 0.30% to 2.25% and 0.79% to 2.05% per annum, respectively.

(ii) For information on pledges of financial assets measured at amortized cost, see Note 25.

IX. Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	$ 27,426	$ 1,316
Accounts receivable		
Measured at amortized cost		
Total carrying amount	$ 641,227	$ 408,599
Less: Allowance for loss	(3,839)	(3,933)
	$ 637,388	$ 404,666
Total	$ 664,814	$ 405,982

Accounts receivable

The average credit period for merchandise sales is 60 days and no interest is charged on accounts receivable. The Consolidated Company's policy is to transact only with counterparties rated at or above the investment grade level and to obtain adequate guarantees, if necessary, to mitigate the risk of financial loss arising from default. The Consolidated Company uses other publicly available financial information and historical transaction records to rate its major customers. The Consolidated Company continuously monitors credit exposures and the credit ratings of counterparties to manage credit risk.

An allowance for loss is recognized for accounts receivable based on the expected credit loss over the duration by the Consolidated Company. Since the Consolidated Company's credit loss history shows that there is no significant difference in loss patterns among different customer groups, the Consolidated Company does not further differentiate between customer groups and only sets the expected credit loss rate based on the number of days past due on accounts receivable.

If there is evidence that the counter-party is in serious financial difficulty and the Consolidated Company cannot reasonably expect to recover the amount, the Consolidated Company directly writes off the related accounts receivable but continues the recourse activities and recognizes the amount recovered in profit or loss as a result of the recourse.

The Consolidated Company measured the allowance for loss on accounts receivable as follows.:

December 31, 2020

	Less than 60 days	61～90 days	91～180 days	More than 180 days	Total
Expected credit loss rate	0.06%	0%	100%	100%	-
Total carrying amount	$ 637,758	$ -	$ 1	$ 3,468	$ 641,227
Allowance for loss (Expected credit losses over the duration)	(370)	-	(1)	(3,468)	(3,839)
Amortized cost	$ 637,388	$ -	$ -	$ -	$ 637,388

December 31, 2019

	Less than 60 days	61～90 days	91～180 days	More than 180 days	Total
Expected credit loss rate	0%	2.44%	100%	100%	-
Total carrying amount	$ 391,600	$ 13,393	$ 36	$ 3,570	$ 408,599
Allowance for loss (Expected credit losses over the duration)	-	(327)	(36)	(3,570)	(3,933)
Amortized cost	$ 391,600	$ 13,066	$ -	$ -	$ 404,666

Information on the changes in the allowance for losses on accounts receivable is as follows:

	2020	2019
Balance at the beginning of the year	$ 3,933	$ 4,264
Less: Reversal of impairment loss for the year	(94)	(331)
Balance at the end of the year	$ 3,839	$ 3,933

X. Inventories

	December 31, 2020	December 31, 2019
Purchased finished goods	$ 1,388	$ 1,422
Finished goods	140,476	157,160
Work in process	693,404	356,905
Raw materials	80,672	153,489
	$ 915,940	$ 668,976

Cost of goods sold related to inventories amounted to $3,088,156 thousand and $1,945,279 thousand for 2020 and 2019, respectively.

Cost of goods sold for the years ended December 31, 2020 and 2019 consisted of $19,296 thousand and $12,893 thousand of inventory value recovery gain (mainly due to the disposal of inventories for which a loss on decline in value had been recognized) and inventory scrap loss of $31,588 thousand and $12,411 thousand.

XI. Subsidiary

Subsidiaries included in consolidated financial statements

Entities covered by the consolidated financial statements are as follows:

			Shareholding percentage	
Name of investor	Subsidiary name	Business nature	December 31, 2020	December 31, 2019
Sonix Technology Co., Ltd.	BVI SONIX Semiconductor Company	General Investment	100.00	100.00
	Jianmao Investment Co., Ltd.	General Investment	100.00	100.00
	SONIX Technology Corporation	Design, development, after-sales service, import and export, and sales and distribution of semiconductor products and related software	100.00	100.00
BVI SONIX Semiconductor Company	SONIX Holding Co.	General Investment	100.00	100.00
SONIX Holding Co.	SONIX Technology (Chengdu) Co., Ltd.	Engaged in the business of computer system integration and technical consulting services, etc.	100.00	100.00
	SONIX Technology (Shenzhen) Co., Ltd.	Engaged in the business of computer system integration and technical consulting services, etc.	100.00	100.00

XII. Investments accounted for using the equity method

Investments in affiliates

	December 31, 2020	December 31, 2019
Affiliate of no materiality		
Non-listed company		
PARADIGM VENTURE CAPITAL COMPANY	$ 7,661	$ 7,836

The shares of profit or loss and other comprehensive income of the affiliates using the equity method for the years ended December 31, 2020 and 2019 were recognized based on the audited financial statements of each affiliate for the same period.

XIII. Property, plant and equipment

	Self-own land	Buildings	Office equipment	Miscellaneous Equipment	Total
Costs					
Balance as of January 1, 2019	$ 110,984	$ 341,435	$ 132,030	$ 234,736	$ 819,185
Addition	-	-	10,318	42,410	52,728
Disposal	-	(164)	(4,231)	(24,145)	(28,540)
Reclassification	-	379,788	-	-	379,788
Net exchange difference	-	(18,377)	(613)	(93)	(19,083)
Balance as of December 31, 2019	$ 110,984	$ 702,682	$ 137,504	$ 252,908	$ 1,204,078
Accumulated depreciation					
Balance as of January 1, 2019	$ -	$ 95,637	$ 111,176	$ 214,593	$ 421,406
Depreciation expenses	-	20,029	10,568	26,260	56,857
Disposal	-	(164)	(4,114)	(24,145)	(28,423)
Net exchange difference	-	(1,816)	(478)	(40)	(2,334)
Balance as of December 31, 2019	$ -	$ 113,686	$ 117,152	$ 216,668	$ 447,506

Net as of December 31, 2019	$ 110,984	$ 588,996	$ 20,352	$ 36,240	$ 756,572
Costs					
Balance as of January 1, 2020	$ 110,984	$ 702,682	$ 137,504	$ 252,908	$ 1,204,078
Addition	-	20,104	17,735	30,686	68,525
Disposal	-	-	(2,542)	-	(2,542)
Net exchange difference	-	7,187	345	36	7,568
Balance as of December 31, 2020	$ 110,984	$ 729,973	$ 153,042	$ 283,630	$ 1,277,629
Accumulated depreciation					
Balance as of January 1, 2020	$ -	$ 113,686	$ 117,152	$ 216,668	$ 447,506
Depreciation expenses	-	26,831	11,736	40,780	79,347
Disposal	-	-	(2,541)	-	(2,541)
Net exchange difference	-	1,154	211	22	1,387
Balance as of December 31, 2020	$ -	$ 141,671	$ 126,558	$ 257,470	$ 525,699
Net as of December 31, 2020	$ 110,984	$ 588,302	$ 26,484	$ 26,160	$ 751,930

Property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Buildings	
Office main building	20 and 50 years
Decoration Equipment	2 and 20 years
Office equipment	2 to 5 years
Miscellaneous Equipment	2 to 5 years

For the amount of property, plant and equipment pledged as collateral for loans, please refer to Note 25.

XIV. Investment property

	Amount
Costs	
Balance as of January 1, 2019	$ 203,856
Disposal	(33,987)
Net exchange difference	(1,297)
Balance as of December 31, 2019	$ 168,572
Accumulated depreciation	
Balance as of January 1, 2019	$ 43,660
Depreciation expenses	2,916
Disposal	(5,678)
Net exchange difference	(803)
Balance as of December 31, 2019	$ 40,095
Net as of December 31, 2019	$ 128,477

Costs

Balance as of January 1, 2020	$ 168,572
Net exchange difference	491
Balance as of December 31, 2020	$ 169,063
Accumulated depreciation	
Balance as of January 1, 2020	$ 40,095
Depreciation expenses	2,582
Net exchange difference	330
Balance as of December 31, 2020	$ 43,007
Net as of December 31, 2020	$ 126,056

The total future rentals to be received for investment property leased under operating leases for the years 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
1st year	$ 4,766	$ 8,985
2nd year	2,777	4,823
3rd year	77	2,901
	$ 7,620	$ 16,709

Investment property is depreciated on a straight-line basis over 20 and 50 years of useful life.

The Consolidated Company's investment property is measured by the independent appraiser Mr. Chou Shih-yuan on January 5, 2021 with level 3 input value. The valuation was performed with reference to market evidence such as the transaction price of similar real estate and the objective net income of the subject of the survey for an average future one-year period. The significant unobservable inputs used include the capitalization rate of income, and the fair values obtained from the valuation are as follows:

	Amount
Fair value	$ 130,944
Capitalization rate of income	2.72%

All of the Consolidated Company's investment properties are owned by the Consolidated Company.

XV. Intangible assets

	Computer software	Patent rights	Total
Costs			
Balance as of January 1, 2019	$ 247,669	$ 107,622	$ 355,291
Acquired separately	4,875	8,978	13,853

Net exchange difference	(236)	-	(236)
Balance as of December 31, 2019	$ 252,308	$ 116,600	$ 368,908
Accumulated amortization			
Balance as of January 1, 2019	$ 231,789	$ 63,574	$ 295,363
Amortization expenses	6,802	10,506	17,308
Net exchange difference	(128)	-	(128)
Balance as of December 31, 2019	$ 238,463	$ 74,080	$ 312,543
Net as of December 31, 2019	$ 13,845	$ 42,520	$ 56,365

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	Computer software	Patent rights	Total
Costs			
Balance as of January 1, 2020	$ 252,308	$ 116,600	$ 368,908
Acquired separately	4,234	21,243	25,477
Net exchange difference	89	-	89
Balance as of December 31, 2020	$ 256,631	$ 137,843	$ 394,474
Accumulated amortization			
Balance as of January 1, 2020	$ 238,463	$ 74,080	$ 312,543
Amortization expenses	5,756	8,555	14,311
Net exchange difference	66	-	66
Balance as of December 31, 2020	$ 244,285	$ 82,635	$ 326,920
Net as of December 31, 2020	$ 12,346	$ 55,208	$ 67,554

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

Computer software	1 to 10 years
Patent rights	1 to 10 years

Summary of amortization by function.

	2020	2019
Marketing expenses	$ 11	$ -
Administrative expenses	113	53
R&D expenses	14,187	17,255
	$ 14,311	$ 17,308

XVI. Other payables

	December 31, 2020	December 31, 2019
Salaries and bonuses payable	$272,715	$154,815
Service expenses payable	30,599	35,318
Others	43,506	28,280
	$346,820	$218,413

XVII. Post-employment benefit plan

(i) Defined contribution plan

The pension system of the Company under the “Labor Pension Act” is a government-administered defined contribution pension plan with 6% of employees' monthly salaries contributed to the personal accounts at the Bureau of Labor Insurance.

Employees of the Consolidated Company's subsidiaries in Japan and China are members of the pension benefit plans administered by the governments of Japan and China. The subsidiaries are required to contribute a specified percentage of salary costs to retirement benefit plans to fund the plans. The Consolidated Company's obligations for the government-administered retirement benefit plans are only to contribute specific amounts.

(ii) Defined benefit plan

The pension system of the Company under the “Labor Standards Act” is a government-administered defined benefit pension plan. Pension payment is calculated in accordance with the years of service and the average salary six months prior to the authorized retirement date. The Company appropriate 2% of employees' monthly salaries as pension funds, which is deposited by the Supervisory Committee of Labor Retirement Reserve in the name of the Committee into a dedicated account at the Bank of Taiwan. Before the end of the year, if the balance in the dedicated account is estimated to be insufficient to pay for employees who are expected to meet the retirement requirements in the following year, the difference will be made up in one lump sum by the end of March of the following year. The management of the dedicated account is entrusted to the Bureau of Labor Funds, the Ministry of Labor. The Company has no right to influence the investment management strategy.

The amounts included in the consolidated balance sheets for defined benefit plan are shown below.

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	$ 67,155	$ 65,476
Fair value of plan assets	(44,320)	(41,339)
Net defined benefit liabilities	$ 22,835	$ 24,137

Changes in net defined benefit liabilities (assets) are as follows.

	Present value of defined	Fair value of plan assets	Net defined benefit

	benefit obligations		liabilities (assets)
Balance as of January 1, 2019	$ 65,385	($ 38,286)	$ 27,099
Service costs			
Service costs for the period	149	-	149
Interest expenses (incomes)	736	(438)	298
Recognized in profit or loss	885	(438)	447

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	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
Remeasurement			
Return on plan assets (other than amounts included in net interest)	$ -	($ 1,276)	($ 1,276)
Actuarial (gains) losses - Changes in Demographic Assumptions	166	-	166
Actuarial (gains) losses - Change in financial assumptions	1,027	-	1,027
Actuarial (gains) losses - Adjustments through experience	(1,987)	-	(1,987)
Recognized in other comprehensive Income	(794)	(1,276)	(2,070)
Employer appropriation	-	(1,339)	(1,339)
Balance as of December 31, 2019	$ 65,476	($ 41,339)	$ 24,137
Balance as of January 1, 2020	$ 65,476	($ 41,339)	$ 24,137
Service costs			
Service costs for the period	146	-	146
Interest expenses (incomes)	491	(315)	176
Recognized in profit or loss	637	(315)	322
Remeasurement			
Return on plan assets (other than amounts included in net interest)	-	(1,333)	(1,333)
Actuarial (gains) losses - Changes in Demographic Assumptions	354	-	354
Actuarial (gains) losses - Change in financial assumptions	1,812	-	1,812
Actuarial (gains) losses - Adjustments through experience	(1,124)	-	(1,124)
Recognized in other comprehensive Income	1,042	(1,333)	(291)
Employer appropriation	-	(1,333)	(1,333)
Balance as of December 31, 2020	$ 67,155	($ 44,320)	$ 22,835

The amounts recognized in profit or loss for defined benefit plans are summarized by function as follows:

	2020	2019
Summary by function.		
Marketing expenses	$ 13	$ 19
Administrative expenses	65	86
R&D expenses	244	342
	$ 322	$ 447

The Company is exposed to the following risks as a result of the pension system under the "Labor Standards Act":

1. Investment risk: The Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in domestic and foreign equity securities, debt securities, and bank deposits through its own management or entrusted third parties, but the amount allocated to the Consolidated Company's plan assets is based on the income at a rate no less than the local bank's 2-year time deposit rate.
2. Interest rate risk: A decrease in interest rates on government bonds will increase the present value of the defined benefit obligation, but the return on debt investment in plan assets will also increase, which will have a partially offsetting effect on the net defined benefit obligation.
3. Salary Risk: The present value of the defined benefit obligation is calculated by reference to the future salary of the plan member. Therefore, increases in plan member's salary will result in an increase in the present value of the defined benefit obligation.

The present value of the Company's defined benefit obligation was actuarially determined by a qualified actuary. The significant assumptions at the measurement date were as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.500%	0.750%
Expected rate of salary increase	4.000%	4.000%

The amount by which the present value of the defined benefit obligation would increase (decrease) if there are reasonable possible changes in significant actuarial assumptions, with all other assumptions held constant, is as follows:

	December 31, 2020	December 31, 2019
Discount rate		
Increase by 0.25%	($ 1,814)	($ 1,871)
Decrease by 0.25%	$ 1,886	$ 1,948

Expected rate of salary increase		
Increase by 0.25%	$ 1,794	$ 1,858
Decrease by 0.25%	($ 1,736)	($ 1,795)

The sensitivity analysis above may not reflect actual changes in the present value of the defined benefit obligation because the actuarial assumptions may be correlated and changes in only one assumption are not feasible.

	December 31, 2020	December 31, 2019
Amount expected to be appropriated within 1 year	$ 1,333	$ 1,339
Average duration to maturity of defined benefit obligation	19.6 years	18.5 years

XVIII. Equity

(i) Capital stock

	December 31, 2020	December 31, 2019
Authorized number of shares (in thousands)	250,000	250,000
Authorized capital stock	$ 2,500,000	$ 2,500,000
Number of shares issued and fully paid (in thousands)	167,877	167,877
Capital stock issued	$ 1,678,770	$ 1,678,770

(ii) Capital surplus

There was no change in the balance of each category of capital surplus in 2020 and 2019.

The excess of capital surplus over par value of stock issued may be used to make up losses, and may be used to pay cash dividends or capitalize as equity when the Company has no losses, provided that the capitalization is limited to a certain percentage of the paid-in capital each year.

(iii) Retained earnings and dividend policy

In accordance with the earnings distribution policy of the Company's Articles of Incorporation, if there is any net profits after tax (including the amount of adjustment of unappropriated earnings) for the current period as indicated in the Company's annual final accounts, the Company shall first make up for the accumulated losses and set aside 10% as legal reserve in accordance with the laws; however, this shall not apply if the accumulated legal reserve has reached the Company's paid-in capital. Then, special reserve is provided or reversed in accordance with the law or the regulations of the competent authority. The Board of Directors shall prepare a proposal for the distribution of the annual earnings, including the undistributed earnings at the beginning of the period, and submit it to the shareholders' meeting for resolution on the distribution of dividends to shareholders. The Company's policy on the distribution of remuneration to employees, directors and supervisors as stipulated in the Company's Articles of Incorporation is described in Note 19 (vii) Remuneration to Employees, Directors and Supervisors.

According to its dividend policy, the Company is to pay no less than 50% of distributable earnings to shareholders each year, taking into account current and future development plans, the investment environment, capital requirements, domestic and international competition, and the interests of shareholders; dividends may be paid in cash or in stock, with cash dividends of no less than 10% of the total dividends.

Legal reserve should be provided until the balance reaches the Company's total paid-in capital. Legal reserve may be used to make up losses. If the Company has no losses, the excess of legal reserve over 25% of the paid-in capital may be distributed in cash in addition to capitalization as equity.

The Company has provided and reversed special reserve in accordance with the provisions of Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 and the "Questions and Answers on the Application of International Financial Reporting Standards (IFRSs) to the Provision of Special Reserve."

At the shareholders' meetings held on June 16, 2020 and June 14, 2019, the Company resolved to distribute the earnings for the years 2019 and 2018, respectively, as follows.

	2019	2018
Legal reserve	$ 34,152	$ 33,867
Special reserve	($ 53,813)	$ 99,216
Cash dividends	$ 352,542	$ 248,458
Cash dividends per share (NT$)	$ 2.1	$ 1.48

On June 14, 2019, the shareholders' meeting resolved to distribute cash at NT$0.6 per share from legal reserve of NT$100,726 thousand.

The Board of Directors proposed the following distribution of earnings for 2020 on February 26, 2021.

	2020
Legal reserve	$ 102,583

Special reserve	($ 67,069)
Cash dividends	$ 956,899
Cash dividends per share (NT$)	$ 5.7

The distribution of earnings for 2020 is pending resolution at the shareholders' meeting scheduled for June 16, 2021.

(iv) Other equity items

1. Exchange differences on translation of financial statements of foreign operations

	2020	2019
Balance at the beginning of the year	($ 74,247)	($ 43,035)
Occurred in the year		
Exchange differences on translation of foreign operations	15,500	(31,212)
Balance at the end of the year	($ 58,747)	($ 74,247)

2. Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income

	2020	2019
Balance at the beginning of the year	$ 7,178	($ 77,847)
Occurred in the year		
Unrealized gain or loss	199,560	86,024
Share of affiliated companies under the equity method	(696)	(999)
Balance at the end of the year	$206,042	$ 7,178

XIX. Net profits

(i) Other incomes

	2020	2019
Rental incomes		
Investment property	$ 6,856	$ 7,078
Dividend incomes	5,541	8,546
Others	12,643	15,253
	$ 25,040	$ 30,877

(ii) Other incomes and expenses

	2020	2019
Valuation gain (loss) on financial assets		
Financial assets at fair value through profit or loss	($ 1,928)	$ 2,397
Net foreign currency exchange loss	(30,231)	(15,092)
Loss on disposal of Property, plant and equipment	(1)	(103)
Gain on disposal of investment property	-	7,669
Others	(1,113)	(1,262)
	($ 33,273)	($ 6,391)

(iii) Interest incomes

	2020	2019
Bank deposits	$ 5,910	$ 6,500
Financial assets measured at amortized cost	3,860	2,105
Others	1	4
Total	$ 9,771	$ 8,609

(iv) Depreciation and amortization

	2020	2019
Property, plant and equipment	$ 79,347	$ 56,857
Investment property	2,582	2,916
Intangible assets	14,311	17,308
Total	$ 96,240	$ 77,081

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	2020	2019
Summary of depreciation by function.		
Operating costs	$ 37,048	$ 18,535
Operating expenses	42,299	38,322
Non-operating incomes and expenses (Note)	2,582	2,916
	$ 81,929	$ 59,773
Summary of amortization by function.		
Operating expenses	$ 14,311	$ 17,308

Note: The depreciation expense of investment properties above is included in non-operating income and expenses - rental income and non-operating income and expenses - other expenses.

(v) Direct depreciation expense of investment property

	2020	2019
Generating rental income	$ 2,000	$ 2,078
Not generating rental income	582	838
	$ 2,582	$ 2,916

(vi) Employee benefit expenses

	2020	2019
Post-employment benefits		
Defined contribution plan	$ 20,015	$ 29,427
Defined benefit plan (Note 17)	322	447
	20,337	29,874
Other employee benefits	782,504	635,104
Total employee benefit expenses	$ 802,841	$ 664,978
Summary by function.		
Operating expenses	$ 802,841	$ 664,978

(vii) Remuneration to Employees, Directors and Supervisors.

The Company appropriates no less than 10% and no more than 5% of profits before tax before remuneration to employees, directors and supervisors for the year, as remuneration to employees and remuneration to directors and supervisors, respectively. The estimated remuneration to employees, directors and supervisors for

2020 and 2019 were resolved by the board of directors on February 26, 2021 and March 13, 2020, respectively, as follows:

Estimated percentage

	2020	2019
Remuneration for employees	10.57%	14.85%
Remuneration for directors and supervisors	1.23%	1.40%

Amount

	2020		2019	
	Cash	Stock	Cash	Stock
Remuneration for employees	$ 145,750	$ -	$ 70,150	$ -
Remuneration for directors and supervisors	17,000	-	6,600	-

If there is a change in the amount after the annual consolidated financial statements are approved and released, the change will be accounted for as a changes in accounting estimate and will be recorded as an adjustment in the following year.

There was no difference between the actual payment of remuneration to employees, directors and supervisors for 2019 and 2018 and the amount recognized in the consolidated financial statements for 2019 and 2018.

Please refer to the "Market Observation Post System" of the Taiwan Stock Exchange for information on the remuneration of employees, directors and supervisors resolved by the board of directors of the Company.

(viii) Foreign currency exchange gain or loss

	2020	2019
Total foreign currency exchange gain	$ 39,718	$ 30,295
Total foreign currency exchange loss	(69,949)	(45,387)
Net gain or loss	($ 30,231)	($ 15,092)

XX. Income tax

(i) Income tax recognized in profit or loss

The major components of income tax expense are as follows:

	2020	2019
Income tax for the period		
Occurred in the year	$ 213,410	$ 68,801

Value increment tax on sale of land	-	1,595
Surtax on unappropriated earnings	515	-
No tax deduction for foreign income	831	687
Prior year adjustment	(6,323)	(15,110)
Deferred income tax		
Occurred in the year	4,188	(2,259)
Income tax expense recognized in profit or loss	$ 212,621	$ 53,714

The reconciliation of accounting income to income tax expense is as follows.

	2020	2019
Income tax expenses at statutory tax rate on net profits before tax	$ 293,060	$ 88,740
Non-deductible expenses for tax purposes	(2,361)	(3,594)
Tax-exempt incomes	(99)	(1,589)
Additional deductions for R&D expenses in Mainland China	(9,479)	-
Unrecognized deductible temporary differences	(44,632)	(7,345)
Unrecognized loss carryforwards	(18,891)	(9,670)
Adjustments to prior years' current income tax expenses recorded in the year	(6,323)	(15,110)
No tax deduction for foreign income	831	687
Value increment tax on sale of land	-	1,595
10% surtax on unappropriated earnings	515	-
Income tax expense recognized in profit or loss	$ 212,621	$ 53,714

In July 2019, the President announced an amendment to the Statute for Industrial Innovation, which specifies that the construction or acquisition of certain assets or technologies with unappropriated earnings from 2018 onward may be deducted from the calculation of unappropriated earnings.

Sonix Technology (Shenzhen) Co., Ltd. obtained the "New High-tech Enterprise Certificate" at the end of 2019 and is subject to corporate income tax at the rate of 15%, with the change in tax rate included in the current year's income tax expense.

(ii) Income tax recognized in other comprehensive Income

	2020	2019
Deferred income tax		
Occurred in the year		
~ Remeasurement of defined benefit plan	($ 58)	($ 414)
Income tax recognized in other comprehensive Income	($ 58)	($ 414)

(iii) Current income tax liabilities

The current income tax liabilities as of December 31, 2020 and 2019 are all income taxes payable.

(iv) Deferred tax assets and liabilities

The changes in deferred tax assets and liabilities are as follows:

2020

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive Income	Exchange difference	Balance at the end of the year
Deferred tax assets					
Loss on decline in value of inventories	$ 13,193	($ 4,303)	$ -	$ 8	$ 8,898
Provision for unrealized liabilities	1,714	2,992	-	-	4,706
Expense Capitalization	1,236	(996)	-	-	240
Unrealized gains with subsidiaries	14,437	12,033	-	-	26,470
Pension overage	2,194	(202)	-	-	1,992
Unrealized exchange loss	1,890	1,899	-	-	3,789
Others	1,807	-	(58)	-	1,749
	$ 36,471	$ 11,423	($ 58)	$ 8	$ 47,844
Deferred tax liabilities					
Foreign investment income recognized using the equity method	$ -	$ 15,606	$ -	$ -	$ 15,606
Unrealized interest incomes	10	5	-	-	15
	$ 10	$ 15,611	$ -	$ -	$ 15,621

2019

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive Income	Exchange difference	Balance at the end of the year
Deferred tax assets					
Loss on decline in value of inventories	$ 15,730	($ 2,489)	$ -	($ 48)	$ 13,193
Provision for unrealized liabilities	1,229	485	-	-	1,714
Expense Capitalization	1,560	(324)	-	-	1,236
Unrealized gains with subsidiaries	11,369	3,068	-	-	14,437
Pension overage	2,373	(179)	-	-	2,194
Unrealized exchange loss	182	1,708	-	-	1,890
Others	2,221	-	(414)	-	1,807
	$ 34,664	$ 2,269	($ 414)	($ 48)	$ 36,471
Deferred tax liabilities					
Unrealized interest incomes	$ -	$ 10	$ -	$ -	$ 10

(v) Amount of deductible temporary differences and unused loss carryforwards for deferred income tax assets not recognized in consolidated balance sheets

	December 31, 2020	December 31, 2019
Loss carryforward		
Expires in 2020	$ 29,578	$ 29,593
Expires in 2021	28,464	28,417
Expires in 2022	19,943	19,642
Expires in 2023	13,571	74,732
Expires in 2024	1,334	1,337
Expires in 2025	3,142	3,153
Expires in 2026	1,214	1,222
Expires in 2027	179	181
Expires in 2028	1,731	1,693
Expires in 2029	3,639	3,614
	$102,795	$163,584
Deductible temporary differences	$ 590	$226,009

(vi) Information on unused loss carryforwards

Information on loss carryforwards for the year ended December 31, 2020 is as follows.

Un-deducted balance	Final deductible year
$ 6,448	2021
4,964	2022
3,149	2023

Un-deducted balance	Final deductible year
231	2024
549	2025
218	2026
32	2027
312	2028
655	2029
$ 16,558	

(vii) The state of income tax assessment

For the income tax returns of the Company and its subsidiaries, the status of tax authorities' assessments as follows:

	As of the year of assessment
The Company	2018
Jianmao Investment Co., Ltd.	2018
SONIX Technology (Chengdu) Co., Ltd.	2019
SONIX Technology (Shenzhen) Co., Ltd.	2019

XXI. Earnings per share

The weighted-average number of shares of common stock and earnings per share used in the calculation of consolidated earnings per share are as follows:

Net profits for the year

	2020	2019
Net profits attributable to shareholders of the Company	$ 1,025,601	$ 341,522

Number of shares

Unit: Thousand shares

	2020	2019
Weighted average number of shares of common stock used to calculate basic earnings per share	167,877	167,877
Impact of potential common stock with dilutive effect		
Remuneration for employees	3,736	3,006
Weighted average number of shares of common stock used to calculate diluted earnings per share	171,613	170,883

If the Consolidated Company may choose to have the employee compensation distributed via a stock or cash dividend, the calculation of the diluted earnings per share assumes that the bonus to employees is with a stock dividend distributed, with the weighted average number of shares outstanding included when the potential common stock has a diluted effect. The diluting effect of these potential common shares also continues to be considered in the calculation of diluted earnings per share before the number of shares awarded to employees in the following year's resolution.

XXII. Capital Risk Management

Based on the characteristics of the current operations and industry and the future development of the Consolidated Company, and taking into account factors such as changes in the external environment, the Consolidated Company will plan for its operating capital, research and development expenses, and dividend payments in the future to ensure that the Consolidated Company can continue its operations, repay its shareholders while taking into account the interests of other stakeholders, and maintain an optimal capital structure to enhance shareholder value in the long run.

The Consolidated Company monitors capital by regularly reviewing the asset and liabilities ratios. The Consolidated Company's capital is "total equity" as shown in the balance sheet, which also equals to total assets less total liabilities.

XXIII. Financial instruments

(i) Fair value information - financial instruments measured at fair value on a recurring basis

Fair value Hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Fund beneficiary certificate	$ 65,818	$ -	$ -	$ 65,818
Financial assets at fair value through other comprehensive income				
Investment in equity instruments				
- Domestic listed stocks	$ 524,523	$ -	$ -	$ 524,523
- Domestic non-listed stocks	-	-	34	34
- Foreign non-listed company	-	13,094	-	13,094
Total	$ 524,523	$ 13,094	$ 34	$ 537,651

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Fund beneficiary certificate	$ 128,242	$ -	$ -	$ 128,242
Financial assets at fair value through other comprehensive income				
Investment in equity instruments				
- Domestic listed stocks	$ 333,274	$ -	$ -	$ 333,274
- Domestic non-listed stocks	-	-	34	34
- Foreign non-listed company	-	12,892	-	12,892
Total	$ 333,274	$ 12,892	$ 34	$ 346,200

There were no transfers between Level 1 and Level 2 fair value measurements in 2020 and 2019.

(ii) Type of financial instruments

	December 31, 2020	December 31, 2019
Financial assets		
Measured at fair value through profit or loss		
Fund beneficiary certificate	$ 65,818	$ 128,242
Financial assets measured at amortized cost (Note 1)	2,524,452	1,429,596
Financial assets at fair value through other comprehensive income		

Investment in equity instruments	537,651	346,200
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	682,252	381,984

Note 1: The balance consists of cash and cash equivalents, notes and accounts receivable, refundable deposits and financial assets measured at amortized cost - current.

Note 2: The balance includes financial liabilities measured at amortized cost, such as accounts payable, deposits received and other payables (excluding employee benefits).

(iii) Financial Risk Management Objectives and Policies

The Consolidated Company's major financial instruments include accounts receivable and accounts payable. The Consolidated Company's financial management department provides services to each business unit, coordinates the operation of access to domestic financial markets, and monitors and manages financial risks associated with the Consolidated Company's operations through internal risk reports that analyze risk exposures based on risk degree and breadth. These risks include market risk (which includes exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk.

1. Market risk

The main financial risks to which the Consolidated Company is exposed as a result of its operating activities are foreign currency exchange rate risk (see (1) below), interest rate risk (see (2) below) and market price risk (see (3) below).

There have been no changes in the Consolidated Company's exposure to market risk of financial instruments and the way it manages and measures such exposures.

(1) Exchange rate risk

The Company and SONIX Technology (Shenzhen) Co., Ltd. engage in foreign currency-denominated sales and purchase transactions, which expose the Consolidated Company to exchange rate risk. Approximately 50% of the Consolidated Company's sales were not denominated in the functional currencies of the entities of the Group, and approximately 59%

of the costs were not denominated in the functional currencies of the entities of the Group.

The Consolidated Company manages its exchange rate risk for hedging purposes and does not trade in financial instruments for speculative purposes. The exchange rate risk management strategy is to regularly review the net position of assets and liabilities in each currency and manage the risk of that net position.

The carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies (including monetary items denominated in non-functional currencies that have been eliminated in the consolidated financial statements) and the carrying amounts of derivatives with exchange rate risk exposure as of the balance sheet date are described in Note 26.

Sensitivity analysis

The Consolidated Company is primarily affected by fluctuations in the USD exchange rate.

The following schedule details the sensitivity analysis of the Consolidated Company when the exchange rates of the NTD and RMB (functional currencies) increase and decrease by 1% against each relevant foreign currency. 1% is the sensitivity percentage used for the Group's internal reporting of exchange rate risk to key management and represents management's assessment of the reasonably possible range of changes in foreign currency exchange rates. The sensitivity analysis includes only foreign currency monetary items in circulation and adjusts their year-end translation by a 1% change in exchange rates. The scope of sensitivity analysis includes monetary financial assets and financial liabilities. The positive numbers in the following table represent the increase/decrease in net profits before tax if NTD and RMB weaken by 1% against the respective currencies, and the negative numbers for the same amount represent the decrease/increase in net profits before tax if NTD and RMB strengthen by 1% against the respective currencies.

	Impact of USD		Impact of EUR	
	2020	2019	2020	2019
Gain or loss	$ 7,100 (i)	$ 5,233 (i)	$ 265 (ii)	$ 258 (ii)

(i) Derived primarily from changes in the fair value of the Consolidated Company's USD-denominated receivables and payables and financial assets measured at fair value through profit or loss - current, which were outstanding at the balance sheet date and not hedged by cash flows.

(ii) Derived from changes in the fair value of financial assets measured at amortized cost.

(2) Interest rate risk

The carrying amounts of financial assets exposed to interest rate risk as of the balance sheet date were as follows:

	December 31, 2020	December 31, 2019
Fair value Interest rate risk - financial assets	$ 719,159	$ 385,771
Cash flow interest rate risk - financial assets	1,135,380	542,188

Sensitivity analysis

The following sensitivity analyses are based on the interest rate risk exposure of the non-derivative instruments on the balance sheet date. For assets with floating rate, the analysis assumes that the amount of the asset outstanding on the balance sheet date is outstanding for the entire year. The rate of change used in reporting interest rates to key management is a 1% increase or decrease in interest rates, which also represents management's assessment of the range of reasonably possible changes in interest rates.

If interest rates had increased/decreased by 1%, with all other variables held constant, the Consolidated Company's net profits before tax would have increased/decreased by $11,354 thousand and $5,422 thousand for 2020 and 2019, respectively, mainly due to changes in the Consolidated Company's cash and cash equivalents and financial assets measured at amortized cost.

(3) Other price risk

The Consolidated Company has price risk arising from investments in fund beneficiary certificates and equity securities. The investments were not held for trading. The Consolidated Company's management manages risk by holding a diverse portfolio of various risks. In addition, the Consolidated Company assigns specific personnel to monitor price risk and assess when to increase the hedging position of the hedged risk.

Sensitivity analysis

The following sensitivity analysis was carried out based on the equity price risk as of the balance sheet date.

If the equity price had increased/decreased by 1%, the profits or losses before tax for 2020 and 2019 would have increased/decreased by $658 thousand and $1,282 thousand, respectively, due to the increase/decrease in the fair value of financial assets measured at fair value through profit or loss. Other comprehensive income before tax would have increased/decreased by $5,377 thousand and $3,462 thousand for 2020 and 2019, respectively, due to the increase/decrease in fair value of financial assets measured at fair value through other comprehensive income.   .

2. Credit risk

Credit risk refers to the risk of financial loss resulting from the default of contractual obligations by the counter-parties. The Consolidated Company's counterparties are creditworthy financial institutions and corporate organizations, and therefore no significant credit risk is expected.

To mitigate credit risk, the Consolidated Company's management has assigned a dedicated team to be responsible for credit limit determination, credit approval and other monitoring procedures to ensure that appropriate actions have been taken to collect overdue receivables. In addition, the Consolidated Company reviews the recoverable amounts of receivables on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses have been recorded for uncollectible receivables.

The Consolidated Company's credit risk is mainly concentrated in the Consolidated Company's top five major customers. As of December 31, 2020 and 2019, the percentages of accounts receivable from the top five customers to the Consolidated Company's accounts receivable balance were 47% and 36%, respectively. The concentration of credit risk on the remaining accounts receivable is not significant.

3. Liquidity Risk

The Consolidated Company manages and maintains sufficient cash and cash equivalents to support the group’s operations and mitigate the impact of cash flow fluctuations.

The Consolidated Company's operating capital on the book is sufficient to meet its liabilities on the book. Therefore, there is no liquidity risk that the Consolidated Company will not be able to raise funds to meet its contractual obligations.

XXIV. Related party transactions

All transactions, account balances, incomes and expenses between the Company and its subsidiaries, (which are related parties of the Company), are eliminated upon consolidation and are therefore not disclosed in this note. Except for those disclosed in other notes, the transactions between the Consolidated Company and other related parties were as follows:

(i) Name of related parties and the relationships

Name of related parties	Relationship with the Consolidated Company

SENNO TECHNOLOGY INC	Chairman of the Board of Directors is the same person (a de facto related party)
DIGIT MOBILE INC.	Chairman of the Board of Directors is the same person (a de facto related party)
CHIP INTEGRATION TECHNOLOGY CO., LTD.	Chairman of the Board of Directors is the same person (a de facto related party)
NEW POCKET DEVICE CORP.	Its Chairman of the board of directors is the same person as the general manager of the Company (a de facto related party)

(ii) Business transaction

Item on the book	Type of related party	2020	2019
Sales revenues	De facto related party		
	Others	$ 18,801	$ 7,096
Operating expenses			
Material expenses	De facto related party		
	Others	$ 4	$ -
Miscellaneous	De facto related party		
	Others	132	27
		$ 136	$ 27
Non-operating incomes	De facto related party		
	Others	$ 472	$ -

The transaction prices and payment terms between the Consolidated Company and its related parties are comparable to those of non-related parties.

(iii) Receivables from related parties

Item on the book	Type of related party	December 31, 2020	December 31, 2019
Accounts receivable	De facto related party		
	Others	$ 4,240	$ 465

No guarantee deposits were received for receivables from related parties in circulation. No allowance for loss was provided for receivables from related parties for the years ended December 31, 2020 and 2019.

(iv) Remuneration for Key Management

	2020	2019
Short-term employee benefits	$ 67,370	$ 20,492

Post-employment benefits	198	235
	$ 67,568	$ 20,727

The remuneration of directors and other key management personnel is determined by the Remuneration Committee based on individual performance and market trends.

XXV. Pledged assets

The following assets have been provided as collateral for the Consolidated Company's short-term bank loan facilities, purchases and customs duties on goods.

	December 31, 2020	December 31, 2019
Property, plant and equipment	$213,606	$217,147
Pledged time deposits (recorded as financial assets measured at amortized cost - current)	52,143	51,627
	$265,749	$268,774

XXVI. Information on foreign currency assets and liabilities with significant effect:

The following information is expressed in aggregate in foreign currencies other than the Consolidated Company's functional currency, and the exchange rates disclosed represent the rates at which such foreign currencies were converted to the functional currency. Foreign currency assets and liabilities with significant effect as follows:

December 31, 2020

	Foreign currency	Exchange rate	Carrying amount
Foreign currency assets			
Monetary items			
USD	$ 42,919	28.43(USD: NTD)	$ 1,220,187
USD	3,934	6.5249(USD: RMB)	111,844
EUR	760	34.82(EUR: NTD)	26,463
Foreign currency liabilities			
Monetary items			
USD	9,960	28.53 (USD: NTD)	284,159
USD	11,841	6.5249 (USD: RMB)	337,824

December 31, 2019

	Foreign currency	Exchange rate	Carrying amount
Foreign currency			

assets					
Monetary items					
USD	$	27,307	29.93	(USD: NTD)	$ 817,299
USD		1,848	6.9762	(USD: RMB)	55,311
EUR		768	33.39	(EUR: NTD)	25,644
Foreign currency liabilities					
Monetary items					
USD		6,903	30.03	(USD: NTD)	207,297
USD		4,798	6.9762	(USD: RMB)	144,084

The Consolidated Company is primarily exposed to foreign currency exchange rate risk in the USD. The following information is presented in aggregate for the functional currencies of the individual entity holding the foreign currencies, and the exchange rates disclosed are the rates at which those functional currencies are translated into the presenting currency. Foreign currency translation gains and losses (realized and unrealized) with significant effect as follows.

	2020		2019	
Functional currency	Functional currency exchanged to presenting currency	Net exchange gain (loss)	Functional currency exchanged to presenting currency	Net exchange loss
NTD	1 (NTD: NTD)	($ 42,495)	1(NTD: NTD)	($ 8,661)
RMB	4.283(RMB: NTD)	12,264	4.482(RMB: NTD)	(6,431)
		($ 30,231)		($ 15,092)

XXVII. Additional Disclosure

(i) Significant Transactions:

1. Lending funds to others (None)
2. Endorsement and guarantee for others (None)
3. Marketable securities held at the end of the period (excluding investment in subsidiaries, affiliated companies and joint venture) (Exhibit 1)
4. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital. (None)
5. Acquisition of real estate exceeding $300 million or 20% of paid-in capital or more. (None)
6. Disposal of real estate exceeding $300 million or 20% of paid-in capital or more. (None)
7. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more (Exhibit 2)

8. Receivables from related parties reaching $100 million or 20% of paid-in capital or more. (Exhibit 3)
9. Engagement in derivative transactions. (None)
10. Other: Business relationships and significant intercompany transactions between the parent and subsidiaries and between subsidiaries and the amounts involved:. (Exhibit 4)

(ii) Information on Investees (Exhibit 5)

(iii) Information on investment in Mainland China:

1. The name of the investees in Mainland China, principal business, paid-in capital, investment methods, capital outward and inward remittances, shareholding, investment gains and losses, investment carrying amount at the end of the period, repatriated investment gains and losses, and investment quota for Mainland China. (Exhibit 6)
2. The following significant transactions with investees in mainland China, directly or indirectly through third regions, and their prices, payment terms, and unrealized gains or losses: (Exhibits 2, 3, 4 and 6)
   (1) Amounts and percentages of purchases and related payables at the end of the period.
   (2) Amounts and percentages of sales and related receivables at the end of the period.
   (3) The amount of property transactions and the amount of gain or loss resulting from such transactions.
   (4) The ending balance of endorsement and guarantee of notes or provision of collateral and its purpose.
   (5) The maximum balance, ending balance, interest rate range and total current interest amount of financial accommodation.
   (6) Other transactions that have a significant effect on the current profit or loss or financial position, such as the provision or receipt of services.

(iv) Information on major shareholders: Name, number and percentage of shares held by shareholders with 5% or more of the shares (None)

XXVIII. Segment information

The information provided by the Consolidated Company to its chief operating decision maker for the purpose of allocating resources and evaluating divisional performance focuses on the types of products offered, and the Consolidated Company was engaged solely in the manufacture and sale of semiconductors in both 2020 and 2019. The only reportable segment of the Consolidated Company was the semiconductor segment.

(i) Segment revenues and operating results

The revenues and operating results of the Consolidated Company are analyzed by reportable segment as follows:

	Segment revenues		Segment profits or losses	
	2020	2019	2020	2019
Semiconductor segment	$ 5,370,626	$ 3,234,503	$1,236,163	$ 362,207
Share of profit or loss of affiliated companies under the equity method			521	(66)
Interest incomes			9,771	8,609
Rental incomes			6,856	7,078
Dividend incomes			5,541	8,546

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	Segment revenues		Segment profits or losses	
	2020	2019	2020	2019
Gain or loss on financial assets at fair value through profit or loss			($ 1,928)	$ 2,397
Loss on disposal of Property, plant and equipment			(1)	(103)
Gain on disposal of investment property			-	7,669
Net exchange gain or loss			(30,231)	(15,092)
Other incomes			12,643	15,253
Other expenditures			(1,113)	(1,262)
Net profits before tax			$ 1,238,222	$ 395,236

The revenues reported above were generated from transactions with external customers.

Segment profit is defined as profit earned by the Semiconductor Division, excluding share of profit or loss of affiliated companies using the equity method, interest income, rental income, dividend income, gain or loss on financial assets at fair value through profit or loss, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of investment property, net gain or loss on foreign currency translation, other income, other expenses and income tax expense. This measure is provided to the chief business decision maker to allocate resources to segments and to measure their performance.

(ii) Total segment assets and liabilities

The measurement amount of the Consolidated Company's assets is not provided to the operating decision maker, therefore, the measurement amount of assets is zero.

(iii) Other segment information

	Depreciation and amortization	
	2020	2019
Semiconductor segment	$ 93,658	$ 74,165

(iv) Revenues from major products and services

Analysis of the Consolidated Company's revenues from major products and services as follows:

	2020	2019
Revenues from semiconductor	$ 5,370,626	$ 3,234,503

(v) Regional information

The Consolidated Company operates in two main regions - Taiwan and China.

The Consolidated Company's revenues from continuing operations from external customers by operating region, are presented below:

	Revenues from external customers	
	2020	2019
Taiwan	$ 2,869,661	$ 2,036,504
China	2,500,538	1,197,495
Others	427	504
	$ 5,370,626	$ 3,234,503

(vi) Information on major customers

The semiconductor division generated revenues of $5,370,626 thousand and $3,234,503 thousand in 2020 and 2021, respectively, of which $323,943 thousand in 2019 was from the Consolidated Company's largest customer. For 2020, there was no individual customer whose revenues reached 10% of the Consolidated Company's net revenue; for 2019, information on the individual customers whose revenues reached 10% of the Consolidated Company's net revenues is as follows:

	2020	2019
Customer A	$ -	$ 323,943

Sonix Technology Co., Ltd. and subsidiaries

Marketable securities held at the end of the year

December 31, 2020

Exhibit 1

Units: Unless otherwise specified, Thousand NT$

Companies held	Type and name of marketable securities	Relationship with the issuer of marketable securities	Account on the book	Year end				Remarks
				Number of shares/unit/board lot	Carrying amount	Shareholding percentage (%)	Net worth/fair value	
Sonix Technology Co., Ltd.	Stock							
	OURS TECHNOLOGY INC.	—	Financial assets at fair value through other comprehensive income - noncurrent	54	$ 7	-	$ 7	Note:
	MUCH-IP CO., LTD.	—	Financial assets at fair value through other comprehensive income - noncurrent	14,180	-	-	-	Note:
	CHAMPION MICROELECTRONIC CORP.	—	Financial assets at fair value through other comprehensive income - noncurrent	5,974,066	524,523	8.21	524,523	Note:
	Fund beneficiary certificate							
	Franklin Templeton - Global Bond Total Return Fund	—	Financial assets at fair value through profit or loss - current	29,951.693	23,911	-	23,911	Note:
Jianmao Investment Co., Ltd.	Stock							
	OURS TECHNOLOGY INC.	—	Financial assets at fair value through other comprehensive income - noncurrent	115	27	-	27	Note:
	Fund beneficiary certificate							
	JIH SUN Asian High Yield Bond Fund	—	Financial assets at fair value through profit or loss - current	1,307,168.12	16,484	-	16,484	Note:
	JIH SUN Target Income Portfolio Fund	—	Financial assets at fair value through profit or loss - current	1,500,000	15,300	-	15,300	Note:
	Nomura Global Short Term Income Fund	—	Financial assets at fair value through profit or loss - current	946,781.42	10,123	-	10,123	Note:
SONIX Technology (Shenzhen) Co., Ltd.	Equity							
	Shenzhen Yingshixun Electronic Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income - noncurrent	555,550	13,094	5	13,094	Note:

Note: Estimated at fair value as of December 31, 2020.

Sonix Technology Co., Ltd. and subsidiaries

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

January 1 to December 31, 2020

Exhibit 2

Units: Unless otherwise specified, Thousand NT$

Purchase (sale) company	Counterparty name	Relationship	Transaction				The circumstances and reasons why the trading terms are different from those of ordinary transactions		Notes and accounts receivable (payable)		Remarks
			Purchase (sale)	Amount	Percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	Percentage of total accounts receivable (payable)	
Sonix Technology Co., Ltd.	SONIX Technology (Shenzhen) Co., Ltd.	Sub-sub-subsidiary	Sale	($ 1,591,786)	(36%)	110 days	$ -	—	$329,739	50%	
SONIX Technology (Shenzhen) Co., Ltd.	Sonix Technology Co., Ltd.	Parent company	Purchases	1,591,786	95%	110 days	-	—	(329,739)	(100%)	

Note: All transactions listed above have been eliminated in the preparation of the consolidated financial statements.

Sonix Technology Co., Ltd. and subsidiaries

Receivables from related parties reaching $100 million or 20% of paid-in capital or more.

December 31, 2020

Exhibit 3

Units: Unless otherwise specified, Thousand NT$

Companies with accounts receivable	Counterparty name	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Receivables from related parties collected during the subsequent period (Note)	Allowance for doubtful accounts
					Amount	Processing method		
Sonix Technology Co., Ltd.	SONIX Technology (Shenzhen) Co., Ltd.	Sub-sub-subsidiary	$ 329,739	6.62 times	$ -	—	$ 329,739	$ -

Note 1: As of February 26, 2021.

Note 2: All accounts receivable listed above have been eliminated in the preparation of the consolidated financial statements.

Sonix Technology Co., Ltd. and subsidiaries

Business relationships and significant intercompany transactions between the parent and subsidiaries and the amounts involved:.

January 1 to December 31, 2020

Exhibit 4

Units: Unless otherwise specified, Thousand NT$

Number	Name of trading party	Counterparty of transaction	Relationship with the trading partner (Note 1)	History of transaction			
				Account	Amount	Transaction Terms and Conditions	Percentage of total consolidated revenues or total assets
0	Sonix Technology Co., Ltd.	SONIX Technology (Shenzhen) Co., Ltd.	1	Accounts receivable	$ 329,739	No significant difference from non-related party	6
		SONIX Technology (Shenzhen) Co., Ltd.	1	Sale	1,591,786	No significant difference from non-related party	30

Note 1: 1 represents parent to subsidiary, 2 represents subsidiary to parent, and 3 represents subsidiary to subsidiary.

Note 2: All transactions listed above have been eliminated in the preparation of the consolidated financial statements.

Sonix Technology Co., Ltd. and subsidiaries

Information on investees, locations, ..., etc.

January 1 to December 31, 2020

Exhibit 5

Units: Amounts in thousands of NT, unless otherwise stated

Name of investor	Name of investee	Region	Principle business	Original investment amount		Holding at the end of the year			Profits (losses) for the period of investee	Investment gains or losses recognized in the period (Note 1)	Remarks
				The end of the period	The end of last year	Number of shares	Percentage (%)	Carrying amount			
Sonix Technology Co., Ltd.	BVI SONIX Semiconductor Company	P.O. Box 3321, RoadTown, Tortola, The British Virgin Islands	General Investment	$ 1,031,999	$ 1,031,999	33,010,000	100	$ 1,085,443	$ 303,203	$ 303,203	Subsidiary
	Jianmao Investment Co., Ltd.	Hsinchu county	General Investment	155,000	155,000	15,500,000	100	105,656	1,502	1,502	Subsidiary
	SONIX Technology Corporation	Tokyo Metropolitan	Design, development, after-sales service, import and export, and sales and distribution of semiconductor products and related software	31,792	31,792	8,000	100	11,011	245	245	Subsidiary
Jianmao Investment Co., Ltd.	PARADIGM VENTURE CAPITAL COMPANY	Taipei city	General Investment	44,760	44,760	541,129	20.98	7,661	2,481	521	
BVI SONIX Semiconductor Company	SONIX Holding Co.	P.O. Box 438, RoadTown, Tortola, The British Virgin Islands	General Investment	997,099	997,099	32,010,000	100	1,051,553	302,973	302,973	Sub-subsidiary

Note 1: Calculated based on the investee's financial statements audited by CPA and the Company's percentage of ownership during the same period.

Note 2: With the exception of PARADIGM VENTURE CAPITAL COMPANY, Gains or losses on investments between investees, equity-method investments in investors and net equity in investees are eliminated when the consolidated financial statements are prepared.

Sonix Technology Co., Ltd. and subsidiaries

Information on investment in Mainland China

January 1 to December 31, 2020

Exhibit 6

Units: Unless otherwise specified, Thousand NT$

Name of investee in Mainland China	Principle business	Paid-in capital	Type of investment	Accumulated investment amount remitted from Taiwan at the beginning of the year	Amount of investment remitted or recovered during the year		Accumulated investment amount remitted from Taiwan at the end of the year	Profits (losses) for the period of investee	Shareholding percentage of the Company's direct or indirect investment	Investment gain (loss) recognized in the year (Note 1)	Carrying amount of investments at the end of the year (Note 1)	Investment income remitted back as of the end of the year	Remarks
					Outward remittance	Recovery							
SONIX Technology (Chengdu) Co., Ltd.	Engaged in the business of computer system integration and technical consulting services, etc.	$ 284,800 (US$10,000 thousand)	Invest in Mainland China through companies incorporated in third regions.	$ 284,800 (US$10,000 thousand)	$ -	$ -	$ 284,800 (US$10,000 thousand)	$ 7,029 (US$238 thousand)	100%	$ 7,029 (US$238 thousand)	$ 80,325 (US$2,820 thousand)	$ -	
SONIX Technology (Shenzhen) Co., Ltd.	Engaged in the business of computer system integration and technical consulting services, etc.	626,560 (US$22,000 thousand)	Invest in Mainland China through companies incorporated in third regions.	626,560 (US$22,000 thousand)	-	-	626,560 (US$22,000 thousand)	295,944 (US$10,015 thousand)	100%	295,944 (US$10,015 thousand)	971,221 (US$34,102 thousand)	-	

Cumulative amount of investment remitted from Taiwan to Mainland China at the end of the period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
$ 911,360(US$32,000 thousand)	$ 954,080(US$33,500 thousand)	$2,338,716

Note 1: Calculated based on the investee's financial statements audited by CPA and the Company's percentage of ownership during the same period.

Note 2: Except for the investment income or loss recognized in the current year, which was calculated using the average exchange rate of 2020, the rest was calculated using the exchange rate at the end of 2020.

Note 3: Gains or losses on investments between investees, equity-method investments in investors and net equity in investees are eliminated when the consolidated financial statements are prepared.