TWSE: 3094

DAVICOM Semiconductor, Inc.

2020 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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Contact Information

Spokesperson
Name: Chun-Chun Yang
Title: Chief Financial Officer
Tel: 886-3-579-8797
E-mail: james_yang@davicom.com.tw

Deputy Spokesperson
Name: Kuei-Feng Chiu
Title: Finance Manager
Tel: 886-3-579-8797
E-mail: addie_chiu@davicom.com.tw

Headquarters, Branches and Plant
Address: No.6, Li-Hsin Road 6, Hsinchu Science Park, Hsinchu, Taiwan
Tel: 886-3- 579-8797

Stock Transfer Agent
Fubon Securities Co., Ltd.
Address: 2F.-1, No.17, Xuchang St., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)
Tel: 886-2-2361-1300
Website: http:www.fbs.com

Auditors
PWC Accounting Firm
Auditors: Se-Kai Lin and Hsien-Cheng Chen
Address: 27F., No.333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)
Tel.: 886-2-2729-6666
Website: http://www.pwc.com.tw

Overseas Securities Exchange
None

Corporate Website
http://www. davicom.com.tw

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I. Letter to Shareholders

Dear Shareholders,

I would like to thank you for your continuing support throughout the year. DAVICOM has responded to the changing business climate by adopting an aggressive stance in strengthening our competitiveness. As of the end of December – 2020, our company generated net income of NT $37.56 million on consolidated revenue of NT $233.54 million. Our company has been continuously posting profits for 60 quarters.

The Company has four major product lines: ethernet chip, electronic paper driver chip, video decoder chip and AI chip. Last year revenue didn't grow up as expected due to the outbreak of COVID-19 which has impacted the global economic. The epidemic is under control in most Asian regions within a short time, and the manufacturing industry has resumed operations. However, the European and American markets were severely affected by the epidemic since the epidemic control was ineffective. Unlike European and American markets, the Chinese market has recovered from the impact of the epidemic shortly. Also, the China government has developed various infrastructures including electricity, telecommunications, and transportation to stimulate the economy, which has activated the China market. Besides, the medical equipment, remote teaching, and office equipment with network communication function produced by Chinese manufacturers have increasing demand. The company's sales in the Chinese market are expected to have a positive development this year.

Looking forward to the year 2021, with the continued growth of IoT and the diversified application of AIoT, we look forward to future opportunities in the communications industry. Additionally, with the development of the 5G industry, Ethernet chips play an important role in increasing communication facilities. We expect that the growing demand for AIoT & 5G market will improve the company's business opportunities of the year. The AI chips and the related application solutions developed by the company in recent years have entered the market and will contribute to this year's revenue. However, the situation of the U.S.-China trade war and tech competition is still tense after the United States Presidential Election which affect the IC industry supply chain since the fourth quarter of last year. The increasing foundry cost has directly affected the production cycle and cost of the company's products. In order to maintain a stable supply to customers and reduce the burdens of rising costs, the company has formulated accurate and effective production plans and has appropriately increased product prices.

Since the various vaccine have been approved, economic activities in Europe and the United States can hopefully recover when the coronavirus outbreak ends. The company's sales would gradually recover.

Although the impact of the U.S.-China trade war, tech competition and COVID-19 epidemic is still difficult to quantify, in terms of the overall environment, the trend has gradually taken shape and cannot be underestimated. In addition, the potential threat of IC design industry in China and the rapid changes of product applications, the market is full of opportunities and risks, the company will remain flexible in the strategy operation to seek the best business opportunities in the market. We will continue the spirit of pragmatic approach to governance. Our management team and all the employees are making strides in achieving our company's goal – to create the most value for all shareholders – by implementing business plan, improving cost management and enhancing operating efficiency. Develop high-performance, power-saving, industrial-grade, and diverse interfaces from key core technologies of Ethernet to meet the market requirements of IoT and Industry 4.0 for smart grid, home, medical, security monitoring, automotive, industrial control, etc. The market needs to expand the series of e-paper driver chips for financial smart cards and electronic shelf labels, and actively develop and integrate relevant platforms to provide customers with high-quality and competitive products to stabilize customer relationships and to provide customers with customer-oriented to reach a win-win goal. Davicom gains a deep understanding of market application trends for market opportunities, and work closely with supply chain partners to obtain full support for expecting higher return on investment for shareholders to thank all shareholders for their long-term support.

Last but not the least, we would like to thank you - our shareholders - for your continuous support and belief in our efforts.

We wish you all health and happiness
Sincerest regards,

Chairman	*President*	*Accounting Supervisor*
Ting Hao	*Ting Hao*	*Kuei-Feng Chiu*

II. Company Profile

2.1 Date of Incorporation：August 16, 1996

In 1989, United Microelectronics Corporation (UMC), one of the largest semiconductor manufacturers in Taiwan, set up the Communication Product Division to develop Networking products.

Founded in 1996 by UMC Communication team and American networking experts, DAVICOM Semiconductor Inc. has become one of the leading IC design companies in Taiwan by meeting challenges head on and achieving steady growth. As of today, DAVICOM has developed over 20 digital and analog products, and applied for 15 IPs. DAVICOM became a listed company on August 6,2007, on Taiwan Stock Exchange Corporation. (TWSE: 3094)

DAVICOM aims to develop the most professional Communication and Networking ICs techniques. With mixed-signal IC design, fast and precise integration, and technical supports for software application systems, we provide customers with the best solutions of SoC chipsets in Local Area Network (LAN), Wide Area Network (WAN), Personal Computing (PC) and Internet areas.

At DAVICOM, our philosophy has always centered on our belief in “Integrity and Humanity”. Thus, we make every effort to meet our customers' expectations and maintain their trust with quality consistency, efficient delivery and cost effectiveness. We will continue to provide best service and support to help customers gain competitive advantages in business and win more orders.

2.2 Company History

Year	Milestones
Aug. 1996	Founded in Hsinchu Science Park with NT$130,000,000 capital.
Feb. 1997	Additional Cash Capital NT$60,000,000, Paid-up Capital increased to NT$190,000,000.
Jun. 1997	Launched 2 in 1 Internet Chip (DM9101F), 10/100M Base-TX PHY+MLT3 single chip Transceiver.
Sep. 1997	Additional Cash Capital NT$50,000,000, Paid-up Capital increased to NT$240,000,000.
Oct. 1997	DAVICOM was authorized by ISO 9001. (Issued by Lloyd’s Register Inspection Limited Taiwan Branch for and on behalf of Lloyd’s Quality Assurance Limited)
Jul. 1998	Launched 3 in 1 Internet Chip (DM9102F), Bus MAC Controller and PHY/Transceiver.
Apr. 1999	Additional Cash Capital NT$160,000,000, Paid-up Capital increased to NT$400,000,000.
Jun. 1999	Launched 56K Modem Chip (DM560P).
Oct. 1999	Launched DM9801, 0.35µm 1 Mbps Home Networking PHY/Transceiver.
Dec. 1999	Securities and Futures Institute authorized public offering.
May 2000	Replenished earnings and employee bonuses NT$109,500,000 into Capital, Paid-up Capital increased to NT$509,500,000.
Jun. 2000	Launched DM9102A, Bus MAC Controller and PHY/Transceiver.
Jun. 2001	Replenished earnings and employee bonuses NT$21,880,000 into Capital, Paid-up Capital increased to NT$531,380,000.

Oct. 2001	Launched DM9000, NON-PCI Bus MAC Controller and PHY/Transceiver.
May 2002	Launched DM9331A, Fiber Ethernet media converter chip.
Jun. 2002	Fulfilled the requirements of Emerging listing.
Mar. 2003	Launched the world's smallest IrDA MODEM Module.
Jun. 2003	Developed 802.11b WLAN MAC Control Chip.
Jun. 2003	Developed 10/100M 0.25µm PHY Chip.
Aug. 2003	DM9700, 1.8/3.3V 0.18µm 10/100/1000M Base-TX Single chip Gigabit MAC and PHY transceiver.
Oct. 2003	DM9102C, 2.5/3.3V 0.25µm 10/100M Base-TX Integrated PCI, Single chip Bus Embedded System.
Oct. 2003	DAVICOM was authorized by ISO 9001: version 2000. (Issued by Lloyd's Register Inspection Limited Taiwan Branch for and on behalf of Lloyd's Quality Assurance Limited)
Dec. 2003	Launched DM562AP, Support MFP G3 33.6K color fax with T.31 command.
Mar. 2004	DAVICOM moved to the new building.
Apr. 2004	Additional Cash Capital NT$108,620,000, Paid-up Capital increased to NT$640,000,000.
May 2004	Obtained Technology Company Listed Recommendation from Industrial Development Bureau of Economic Affairs.
May 2004	Launched DM3003, USB 2.0 Card Reader Controller.
Jun. 2004	Developed DM8603, Gigabit Switch.
Jan. 2005	Provided environmentally friendly products: RoHS.
May 2005	Launched DM6588A-E5 2.5/3.3V 0.25µm.
Sep. 2005	Launched DM9000A-E7.
Mar. 2006	Launched an integrated program of DM9218 and IP-CAM.
May 2006	Products obtained the certification of SONY SS-00259.
Jul. 2006	Launched DM9013.
Oct. 2006	Provided industry-standard products.
Nov. 2006	Launched DM6588A-E6 2.5/3.3V 0.25µm and Multi-function fax modem chip.
Jan. 2007	Launched DM9000B 0.18 µm.
Jan. 2007	Launched DM9161B 0.18 µm.
Apr. 2007	Obtained Technology Company Listed Recommendation from Industrial Development Bureau of Economic Affairs.
Jun. 2007	Distributed stock dividends from retained earnings and employee bonus NT$10,542,000 transferred into Capital, Paid-up Capital increased to NT$700,700,000.
Jun. 2007	Mass production of DM9003/ DM9103 and hit the market.
Aug. 2007	Additional Cash Capital NT$93,430,000, Paid-up Capital increased to NT$794,131,000.
Aug. 2007	Listed on Taiwan Stock Exchange (Code-3094) on August 6th.
Sep. 2007	Launched DM9102H 0.18 µm.
Sep. 2008	Launched the solution of IP2001 MPEG4 IP Camera.
Dec. 2008	Launched DM9016, Embedded Ethernet Switch Controller.
Feb. 2009	Launched DM9620, USB2.0 to Ethernet MAC Controller.
Jun. 2009	Launched DM9302.
Nov. 2009	DAVICOM was authorized by ISO 9001: version 2008. (Issued by Lloyd's Register Inspection Limited Taiwan Branch for and on behalf of Lloyd's Quality Assurance Limited)

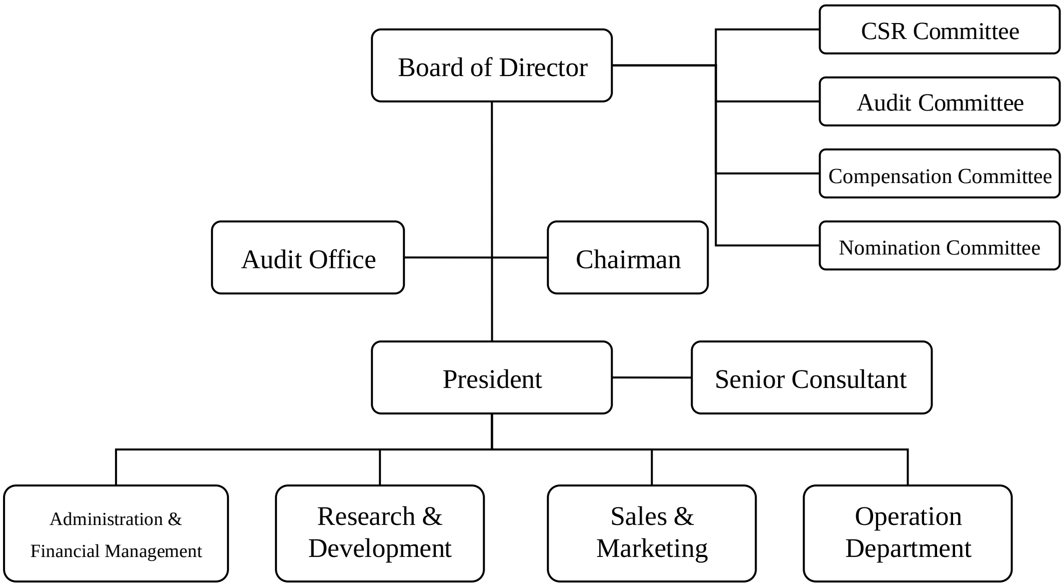
Nov. 2009	Launched DM9621, Ethernet MAC Controller for USB Dongle.
Jan. 2010	Developed 802.3az Energy-saving technology.
Apr. 2010	Launched DM9161C.
May 2010	DM9620 & DM9621 certified by USB IF (ITD40001021).
Aug. 2010	Launched DM8606C.
Oct. 2010	Launched DM8603/DM8203.
Nov. 2010	DAVICOM won Gold Medal of 2010 Standard Chartered SMEs.
Nov. 2010	DM9620 & DM9621 certified by Microsoft drivers.
Dec. 2010	Developed IEEE1588 Precise time synchronization technology.
Mar. 2011	Developed DM8806.
Apr. 2011	Developed DM8603A.
Jul. 2011	Developed DM9633 USB3.0, to Ethernet MAC Controller.
Dec. 2011	Launched DM9162.
May 2012	Launched DM9620A/ DM9621A, USB to Ethernet MAC Controller.
Jul. 2012	Launched DM8806/ DM8806I.
Jul. 2012	Launched hearing aid software “HearingAmp” and was available on iTunes.
Nov. 2012	Launched Medical Care return pass system hardware, firmware and server platform.
Mar. 2013	Launched new IC product line: Video Decoder 1-Channel: DM5900/ DM5960/ DM5150/DM5160.
May 2013	Launched hearing aid software “HearingAmp V1.2” and was available on iTunes.
Jul. 2013	Launched new IC product line: Video Decoder 4-Channel: DM5865/ DM5866/ DM5885/DM5886.
Sep. 2013	Launched hearing aid software “HearingAmp V1.3” and is available on iTunes.
Nov. 2013	Launched Medical Care return pass system Apps.
Apr. 2014	Launched DM9163.
Jul. 2014	Purchased Teamtech Technology Corp EPD Driver and SoC IC product line.
Aug. 2014	Launched DM9051.
Sep. 2014	Launched hearing aid software “HearingAmp V1.4” and was available on iTunes.
Nov. 2014	Launched hearing aid software “HearingAmp V1.5” and wsa available on iTunes.
Sep. 2015	Developed tricolor e-paper driver with wireless energy harvesting chips.
Oct. 2015	Developed embedded portable hearing aid software “HearingPod V1.0”.
Nov. 2015	Developed voltage mode low-power high speed Ethernet transceiver chipsets.
Apr. 2016	Launched hearing aid software “HearingAmp V1.6” and was available on iTunes.
May. 2016	Developed a digital circuit with flexible operation capability to precisely control an analog circuit and can be applied to medical products.
Nov. 2016	Completed the foresighted hearing aid platform of HearingPod V1.1 smart device.
Dec. 2016	Launched hearing aid software “HearingAmp V1.7” and was available on iTunes.
Mar. 2017	Complete the smart device of advanced hearing-aid platform HearingPod V1.3
May 2017	Developing the cluster nodes communication system on shelf labels application ESL.

Jun. 2017	Complete in-audio hearing-aid platform HearingPod V1.3.
Dec. 2017	Developing the best waveform display mode based on environment temperature and RF power driven EPD IC.
Mar. 2018	Import 0.11u process on ethernet chip DM9111A.
Jul. 2018	Launched one-to-many node high-speed data exchange and power-saving transmission protocol for wireless communication for electronic paper price label system.
Oct. 2018	Develop Dot Matrix Type Electronic Paper Driver IC with Image Frame Decompression Algorithm.
Sep.2019	Launched build-in temperature sensor three colors EPD Segment driver IC
Oct.2019	Launched industry temperature 10/100/1000M Ethernet Giga-PHY transceiver
Nov.2019	Launched AI SoC With Integrated Image Recognition
Nov.2019	Launched MCU IC for TENS application
Jan.2020	Develop RFID Trajectory Algorithm
Apr.2020	Develop Universal Serial Bus to Universal Asynchronous Receiver Transmitter converter control IC
Jul.2020	Develop Fusing RFID and Vision Technology

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Department Functions

Department	Functions
President	Strategic planning, business planning authorization and supervision.
Audit Office	Identifying deficiencies in the internal control system, assessing the effectiveness and efficiency of operations, providing appropriate improvement suggestions to ensure the effectiveness of the internal control system as well as for continuous improvement.
Sales and Marketing	Responsible for planning corporate image, maintaining and enhancing external public relations, and corporate marketing activities worldwide, and analyzing industry data and trends, in charge of formulating and implementing corporate marketing strategy, product plans and customer service.
Research and Development	Responsible for research design and development of communication IC products, sample verification, and programs writing for system testing and IC driver.
Operations Department	Responsible for product manufacturing and production capacity allocation. Planning and execution of quality control systems, general affairs and other affairs.
Administration and Financial Management	Responsible for planning and execution of human resource management; Maintaining information systems; Summarization and supply of accounting information; Management and operation of finance and investment, annual budgeting, credit control, and stocks services.

3.1.3 Management Team

Title	Name	Experience	Education
Chairman as President	Ting Hao	Founder of DAVICOM Semiconductor, Inc.	**Doctor,** Business Management, Victoria University **Master**, EECS, UC Berkeley **Bachelor**, Dept. of Electrical and Control Engineering, National Chiao Tung University
Senior Vice President	Wen-Hsien Chen	Former General Manager of Medicom Corporation	**Master**, Electrical Engineering, State University of New York
Vice President	Hsin-Min Yu	United Microelectronics Corp.	**Master**, EMBA National Tsinghua University
Chief Technology Officer	Cheng-Fang Chiu	Former Deputy Manager of UMC	**Master**, Dept. of Computer Science, National Tsinghua University **Bachelor**, Dept. of Information Engineering and Computer Science, Feng Chia University
Chief Financial Officer	Chun-Chun Yang	Former CFO of C-COM Ltd.	**Bachelor**, Dept. of Cooperative Economics, Feng Chia University

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

(1) Directors Information

Apr. 09, 2021

Title	Name	Gender	Nationality/ Country of Origin	Date First Elected	Date Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Ting Hao	Male	R.O.C.	May 21, 1999	June 12, 2019	3	1,602,800	1.89	1,844,000	2.18	0	0.00	0	0.00	**Doctor**, Business Management, Victoria University **Master**, EECS, UC Berkeley **Bachelor**, Electrical and Control Engineering, National Chiao Tung University	-Independent Director, United Integrated Services Co., Ltd.	-	-	-	Chairman as President
Director	Goodyears Investments Ltd. (Representative person:Wen-Chen Lin)	Female	R.O.C.	June 12, 2006	June 12, 2019	3	3,982,475	4.70	3,982,475	4.71	0	0.00	0	0.00	TSMC Senior Engineer Department of Information Management, Ming Chuan University	-	-	-	-	-
Director	Tzay Hua Ltd. (Representative person: Cheng -Feng Chiu)	Male	R.O.C.	June 10, 2013	June 12, 2019	3	1,480,652	1.75	1,480,652	1.75	0	0.00	0	0.00	Former Vice President of Medicom Corporation Master, Dept. of Electronic engineering, National Chiao Tung University	-Director of Advanced Development Division Dept.of Davicom -Director of the Medicom Corporation	-	-	-	-
Director	Yun-Ping Lin	Male	R.O.C.	June 12, 2019	June 12, 2019	3	858,000	1.01	900,000	1.06	0	0.00	0	0.00	Executive Master of Business Administration (EMBA), National Chung Hsing University	-Owner of Sane Way Enterprises Co.. Ltd. -Owner of Crown Star International Investment Co.,	-	-	-	-
Independent director	Chang-Yue Ueng	Male	R.O.C.	June 12, 2019	June 12, 2019	3	150,000	0.18	150,000	0.18	0	0.00	0	0.00	CFO,Controller Sonavox Electronics Co., Ltd. VP & CFO, Administration Center Ichia Technologies, Inc.. Ph.D. of Statistics, Colorado State University, USA	-	-	-	-	-
Independent irector	Jen-Jyh Hwang	Male	R.O.C.	June 20, 2005	June 12, 2019	3	0	0.00	0	0.00	0	0.00	0	0.00	Associate Professor, National Sun-Yat-sen University (Retired 2008) Ph.D,Dept. of Mechanical Engineering, The Pennsylvania State University, USA	-Independent director of JG Environment Tech.	-	-	-	-
Independent irector	Niang-Shou Wei	Male	R.O.C.	June 12, 2019	June 12, 2019	3	2,000	0.00	4,000	0.00	0	0.00	0	0.00	Director of Production and Operations Center Shanghai Fanfeng Vacuum Machinery Co., Ltd. Executive Master of Business Administration (EMBA), National Tsing Hua University	-	-	-	-	-

Note: The explanation of the Chairman and the President of the company are the same person.

The board of directors approved Chairman Dr. Ting Hao concurrently act as the President of the Company due to the retirement of the former president Mr. Nien-Tai Chen. The board of directors consider it's is necessary that Chairman Dr. Ting Hao concurrently act as the President.

The measures adopted in response: The Company value the corporate governance. The Company has established the "Nomination Committee"," Audit Committee"," Compensation Committee" and CSR Committee. The Company has initiatively prepared the CSR report from 2015 which fully disclosed the Company's CSR execution status. There are three independent directors in seven directors. Two directors concurrently act as the employee or manager is reasonable.

(2) Major Shareholders of the Institutional Shareholders

Apr. 09, 2021

Name of Institutional Shareholders	Major Shareholders
Goodyears Investments Ltd.	Ke-Chen Cheng (90.18%)
Tzay Hua Ltd.	Ke-Chen Cheng (61.72%)

(3) Major Shareholders of the Company's Major Institutional Shareholders

Apr. 09, 2021

Name of Institutional Shareholders	Major Shareholders
NA	NA

(4) Professional Qualifications and Independence Analysis of Directors and Supervisors

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Ting Hao			V				V	V	V	V	V	V	V	V	V	1
Goodyears Investments Ltd. (Representative person: Wen-Chen Lin)			V				V	V	V	V	V	V	V	V	V	0
Tzay Hua Ltd. (Representative person:Cheng-Feng Chiu)			V				V	V	V	V	V	V	V	V	V	0
Yun-Ping Lin			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Chang-Yue Ueng			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Jen-Jyh Hwang	V		V	V	V	V	V	V	V	V	V	V	V	V	V	1
Niang-Shou Wei			V	V	V	V	V	V	V	V	V	V	V	V	V	0

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

1. Not an employee of the company or any of its affiliates
2. Not a director or supervisor of the company or any of its affiliates.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3;

5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top fiv shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law.
6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
7. Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company chairman or CEO (or equivalent);
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
9. Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an audit service or a non-audit service which total compensation within the recent two years exceeds NTD500,000;
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
11. Not been a person of any conditions defined in Article 30 of the Company Law; and
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Profiles of Key Managers

Apr. 09, 2021 / Unit：shares

Title	Nationality / Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse and Minor Shareholding		Shares Held in the Name of Others		Experience（Education）	Other Position	Managers who are Spouses or Within Second-Degrees of Relative of Consanguinity to Each Other			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C.	Ting Hao	Male	Mar. 11, 2019	1,844,000	2.18	0	0.00	0	0.00	**Doctor**, Business Management, Victoria University **Master**, EECS, UC Berkeley **Bachelor**, Electrical and Control Engineering, National Chiao Tung University	Independent director of United Integrated Services Co., Ltd.	NA	NA	NA	Chairman as President
CFO	R.O.C.	Chun-Chun Yang	Male	Aug. 17, 2010	116,099	0.14	0	0.00	0	0.00	**Bachelor,** Cooperative Economics, Feng Chia University	Chairman of Medicom Co.	NA	NA	NA	
CTO	R.O.C.	Cheng-Fang Chiu	Male	Aug. 10, 2016	100,508	0.12	1,671	0.00	0	0.00	**Master**, Computer Science, NTHU	NA	NA	NA	NA	
Senior Vice President	R.O.C.	Wen-Hsien Chen	Male	Jul. 02, 2012	63,185	0.07	0	0.00	0	0.00	**Master**, Electrical Engineering, State University of New York	NA	NA	NA	NA	
Vice President	R.O.C.	Hsin-Min Yu	Male	Jan. 07, 2021	220,610	0.26	0	0.00	0	0.00	**Master,** MBA NTHU	NA	NA	NA	NA	

Note: The explanation of the Chairman and the President of the company are the same person.
The board of directors approved Chairman Dr. Ting Hao concurrently act as the President of the Company due to the retirement of the former president Mr. Nien-Tai Chen.
The board of directors consider it's is necessary that Chairman Dr. Ting Hao concurrently act as the President.
The measures adopted in response: The Company value the corporate governance. The Company has established the "Nomination Committee", "Audit Committee"," compensation committee" and CSR Committee. The Company has initiatively prepared the CSR report from 2015 which fully disclosed the Company's CSR execution status.
There are three independent directors in seven directors. Two directors concurrently act as the employee or manager is reasonable.

3.3 Remuneration of Directors, Supervisors, President, and Vice President

3.3.1 Remuneration of Directors

Unit: NT$ thousands/ thousands shares

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from Non-consolidated Affiliates or Parent Company
		Base Compensation (A)		Severance Pay and Pensions (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Profit Sharing- Employee Bonus (G)						
																The company		From All Consolidated Entities				
		The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	Cash	Stock	Cash	Stock	The company	From All Consolidated Entities	
Chairman	Ting Hao	0	0	0	0	184	184	15	15	0.60	0.60	3,982	3,982	0	0	143	0	143	0	12.93	12.93	NA
Director	Goodyears Investments Ltd.(Representative person: Wen-Chen Lin)	0	0	0	0	184	184	15	15	0.60	0.60	0	0	0	0	0	0	0	0	0.60	0.60	NA
Director	Tzay Hua Ltd. (Representative person: Cheng-Feng Chiu)	0	0	0	0	184	184	15	15	0.60	0.60	1,806	1,806	95	95	63	0	63	0	6.47	6.47	NA
Director	Yun-Ping Lin	0	0	0	0	184	184	15	15	0.60	0.60	0	0	0	0	0	0	0	0	0.60	0.60	NA
Independent director	Chang-Yue Ueng	0	0	0	0	34	34	315	315	1.04	1.04	0	0	0	0	0	0	0	0	1.04	1.04	NA
Independent director	Jen-Jyh Hwang	0	0	0	0	34	34	315	315	1.04	1.04	0	0	0	0	0	0	0	0	1.04	1.04	NA
Independent director	Niang-Shou Wei	0	0	0	0	34	34	315	315	1.04	1.04	0	0	0	0	0	0	0	0	1.04	1.04	NA

Range of Remuneration	Name of Directors			
	Compensation Paid to Directors (A+B+C+D)		Compensation Paid to Directors (A+B+C+D+E+F+G)	
	The company	From All Consolidated Entities	The company	From All Consolidated Entities
Less than NT$ 1,000,000	Ting Hao Goodyears Investments Ltd. (Representative person: Wen-Chen Lin) Tzay Hua Ltd. (Representative: Cheng-Feng Chiu) Yun-Ping Lin Chang-Yue Ueng Jen-Jyh Hwang Niang-Shou Wei		Goodyears Investments Ltd. (Representative person: Wen-Chen Lin) Yun-Ping Lin Chang-Yue Ueng Jen-Jyh Hwang Niang-Shou Wei	
NT$1,000,000 ~ NT$1,999,999	-		-	
NT$2,000,000 ~ NT$3,499,999			Tzay Hua Ltd. (Representative person: Cheng-Feng Chiu)	
NT$3,500,000 ~ NT$4,999,999			Ting Hao	
NT$5,000,000 ~ NT$9,999,999				
NT$10,000,000~ NT$14,999,999				
NT$15,000,000 ~ NT$29,999,999				
NT$30,000,000 ~ NT$49,999,999				
NT$50,000,000 ~ NT$99,999,999				
Over NT$100,000,000				
Total	7	7	7	7

3.3.2 Remuneration of Supervisors：

The company established the Audit Committee on July,05,2010. No remuneration of supervisors.

3.3.3 Remuneration of the President and Vice President

Unit: NT$ thousands/ thousands shares

Title	Name	Salary(A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company		From All Consolidated Entities		The company	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
President	Ting Hao	2,936	2,936	0	0	1,045	1,045	145	0	145	0	12.34	12.34	NA
Senior Vice President	Wen-Hsien Chen	1,758	1,758	108	108	419	419	38	0	38	0	6.94	6.94	NA

Range of Remuneration	Name of President and Vice President	
	The company	From All Consolidated Entities
Under NT$ 1,000,000		
NT$1,000,000 ~ NT$1,999,999		
NT$2,000,000 ~ NT$3,499,999	Wen-Hsien Chen	Wen-Hsien Chen
NT$3,500,000 ~ NT$4,999,999	Ting Hao	Ting Hao
NT$5,000,000 ~ NT$9,999,999		
NT$10,000,000 ~ NT$14,999,999		
NT$15,000,000 ~ NT$29,999,999		
NT$30,000,000 ~ NT$49,999,999		
NT$50,000,000 ~ NT$99,999,999		
Over NT$100,000,000		
Total	2	2

Employees Profit Sharing Bonus Paid to Management Team

Unit: NT$ thousands/ thousands shares

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Ting Hao	0	322	322	0.96
	CFO	Chun-Chun Yang				
	CTO	Cheng-Fang Chiu				
	Senior Vice President	Wen-Hsien Chen				

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

The ratio of total remuneration paid by the Company and from all consolidated entities for the two most recent fiscal years to directors, supervisors, president and vice president of the company, to the net income.

Year	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	
	The company	From All Consolidated Entities
2020	30.66%	30.68%
2019	24.65%	24.63%

3.4 Implementation of Corporate Governance

3.4.1 Operation of the Board

(1) A total of six (A) meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Chairman	Ting Hao	6	0	100%	
Director	Goodyears Investments Ltd. (Representative person: Wen-Chen Lin)	6	0	100%	
Director	Tzay Hua Ltd. (Representative person: Cheng-Feng Chiu)	6	0	100%	
Director	Yun-Ping Lin	6	0	100%	
Independent director	Chang-Yue Ueng	6	0	100%	
Independent director	Jen-Jyh Hwang	6	0	100%	
Independent director	Niang-Shou Wei	6	0	100%	

Other mentionable items:

1. If any of the following circumstances occur, the date of the meeting, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: None of the independent director expresses an objection or reservation
   (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None
2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
3. The listed company should disclose the general evaluation cycles, evaluation periods, scope, content, and method of Self-Evaluation or Peer Evaluation of the Board of Directors. And disclose the evaluation status by filling the evaluation form: The Implementation Status of Board Evaluation is as Table 3.4.1.(2)
4. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee, Remuneration Committee and a Nomination Committee to assist the board in carrying out its various duties.
   In 2020, the attendance rate of the board meetings was satisfied, the directors were fully devoted themselves in the board operation, and any resolution made in the board meetings that were important and crucial to our shareholders' equity was uploaded and disclosed in MOPS right away.

(2) Implementation Status of Board Evaluations

Evaluation Cycles	Evaluation Periods	Scope of evaluation	Evaluation Methodology	Evaluation Content
Once a year.	2020.01.01~ 2020.12.31	The scope of performance evaluations includes the Board of Directors, individual directors, and functional committees.	Include self-evaluation by individual board members and the inter evaluation of the board.	The criteria for evaluating the performance of the board members on themselves covered the following six aspects: 1. Familiarity with the goals and missions of the company; 2. Awareness of the duties of a director; 3.Participation in the operation of the company 4.Management of internal relationship and communication; 5.The director’s professionalism and continuing education; and 6.Internal control.

3.4.2 Operation of Audit Committee

(1) A total of five (A) Audit Committee meetings were held in the previous period (from May 2020 till April 2021). The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Independent director	Chang-Yue Ueng	5	0	100%	
Independent director	Jen-Jyh Hwang	5	0	100%	
Independent director	Niang-Shou Wei	5	0	100%	

Audit Committee Meeting Summary

Date	Meeting Resolutions
04/26/2021	1. Approved the first quarter 2021 consolidated financial statement 2. Approved the 2020 earnings distribution proposal 3. Approved the proposal for cash distribution of 2020 additional paid in capital
02/26/2021	1. Approved the 2021 CPA assessments of competence and independence for Se-Kai Lin and Chia-Hung Lin from PWC 2. Approved the 2021 CPA selection and appointment 3. Approved the 2020 business report and financial statements 4. Approved the 2020 earnings distribution proposal 5. Approved the proposal for cash distribution of 2020 additional paid in capital 6. Approved the 2020 management's reports on internal control
11/11/2020	1. Approved the third quarter 2020 consolidated financial statement 2. Approved the 2021 internal audit plan
08/10/2020	1. Approved the second quarter 2020 consolidated financial statement
05/12/2020	1. Proposed the first quarter 2020 consolidated financial statement

Other mentionable items:

1. Matters refereed to in Article 14-5 of the Securities and Exchange Act and others which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: As Audit Committee Meeting Summary
2.If there are independent directors' avoidance of motion in conflict of interest, the directors' names, contents of motion, cause for avoidance and voting should be specified: None
3. Communications between the independent directors and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)
   (1) CPAs regularly discusses in writing with the independent directors of the Audit Committee each quarter, If necessary, a meeting will be held with independent directors to explain and discuss.
   (2) The Audit Committee take finical statement confirmed by CPAs as reference to completed the audit report.

Independent Director and CPAs Meeting Summary

Date	Meeting Resolutions
02/26/2021	1. CPAs explain the recent amendments to tax law, its impacts and the company's response policy. 2. CPAs discussed in writing about the fourth quarter 2020 individual and consolidated financial report, adjustment entry and audit report.
11/11/2020	1. CPAs discussed in writing about the third quarter 2020 consolidated financial report and audit report
10/08/2020	1. CPAs discussed in writing about the second quarter 2020 consolidated financial report and audit report
05/12/2020	1. CPAs discussed in writing about the first quarter 2020 consolidated financial report and audit report

1.Communications between the Independent Directors and the Internal Audit Officer:

(1) Independent Directors have asked the Internal Audit Officer to submit audit reports and follow-up report quarterly in Board and Audit Committee meeting.

(2) Independent Directors have asked the Internal Audit Officer to report on the implementation status of the annual audit plan and improvement situation, if necessary, call a meeting for major fraud.

Independent Directors and the Internal Audit Officer Meeting Summary

Date	Meeting Resolutions
02/26/2021	1. Presented the fourth quarter 2020 audit report 2. Internal Audit Officer presented 2020 internal management control system declarations to Independent Directors 3. Internal Audit Officer responded to questions from Independent Directors
11/11/2020	1. Internal Audit Officer presented the 2021 internal audit plan 2. Presented the third quarter 2020 audit report 3. Internal Audit Officer responded to questions from Independent Directors
08/10/2020	1. Presented the second quarter 2020 audit report 2. Internal Audit Officer responded to questions from Independent Directors
05/12/2020	1. Presented the first quarter 2020 audit report 2. Internal Audit Officer responded to questions from Independent Directors

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

Evaluation Item	Implementation Status [1]			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does Company follow Taiwan Corporate Governance Implementation to establish and disclose its corporate governance practices?	V		The Company has established the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies". The information has been disclosed on the Company's website and MOPS (Market Observation Post System).	No difference
2. Shareholding structure and shareholders' rights				
(1) Does Company have Internal Operation Procedures for handling shareholders suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		(1)In addition to the existing hotline and email channels, the Company has established an internal operating procedure, and has designated appropriate departments, such as Investor Relations, Public Relations, Legal Department, to handle shareholders' suggestions, doubts, disputes and litigation.	No difference
(2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		(2)The Transfer Agency Department is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares. Rules are made to strictly regulate the activities of trading, endorsement and loans between the Company and its affiliates. In addition, the "Criteria of Internal Control Mechanism for a Public Company", outlined by the Financial Supervisory Commission when drafting the guidelines for the "Supervision and Governance of Subsidiaries", was followed in order to implement total risk control with respect to subsidiaries.	No difference
(3) Has the Company built and executed a risk management system and firewall between the Company and its affiliates	V		(3) To protect shareholders' rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information.	No difference
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(4) The Company has also strongly advocated these rules in order to prevent any violations.	No difference

Evaluation Item	Implementation Status [1]			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
3. Composition and Responsibilities of the Board of Directors				
(1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	V		(1) The Company Board of Directors consists of 7 members, including 3 independent directors and one female director. Davicom's Board is comprised of a diverse group of professionals from different backgrounds in industries, academia, law, etc. The Board objectively chooses candidates to meet the goal of member diversification.	No difference
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	V		(2) With a Remuneration Committee and an Audit Committee to assist the Board of Directors in executing its duties, DAVICOM also established Nomination Committee which can efficiently assist Board of Directors.	No difference
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors remuneration and renewal?	V		(3) The Company has set up and reviews the performance evaluation and remuneration policy, standard, system and framework for board of directors on Aug. 10, 2016. The evaluation results are divided into three levels: excellent, acceptable, and to be strengthened. The overall board evaluation results in 2020 were excellent.	No difference
(4) Does the Company regularly evaluate its external auditor's independence?	V		(4) The Audit Committee and the Board of Directors evaluate the independence, competence and professionalism of CPA at least once a year. Since June, 2015, CPA has been required to provide a "transitional independence statement" every year. The company has confirmed the company's visa and tax expenses. In addition to the expenses, there are no other financial interests and business relationships; the CPA's family members do not violate the requirements of independence and report to the Board of Directors. The Board of Directors of the Company also examined the CPA's personal resume (representing the past and current clients of the accountant) and the independence statement of each CPA (not in violation of the Professional Ethics Bulletin No. 10) for discussion by the Board of Directors when discussing the independence and appointment of the CPA. The Board of Directors has approved 2020	No difference

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status [1]</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>annual financial report on the independence assessment of CPA.</td><td></td></tr>
<tr><td>4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors compliance of law, handling matters related to board meetings and shareholders meetings according to law, and recording minutes of board meetings and shareholders meetings)?</td><td>V</td><td></td><td>The Company’s ADM and Stock department will be responsible for the affairs related to governance, while the governance staff will be managed concurrently by CFO. The primary duties and operations are as follows:
(1) Provide directors and independent directors with necessary materials for executing the responsibilities of the business within their positions and the development of latest laws and regulations related to the business operations of the Company.
(2) Handle matters related to the Board of Directors Meeting and the Shareholders’ Meeting pursuant to relevant laws and regulations, and assist the company in adhering to relevant laws and decrees determined at the Board of Directors Meeting and The Shareholders’ Meeting.
(3) Notify directors 7 days in advance and provide the draft agenda of the board of directors and each functional committee to directors and provide relevant information. Complete the minutes of the meeting on the day of the meeting and provide it to the directors
(4) Prepare meeting minutes for the Board of Directors Meeting and the Shareholders’ Meeting.
(5) Affairs related to investor relations.</td><td>No difference</td></tr>
<tr><td>5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders’ questions on corporate responsibilities?</td><td>V</td><td></td><td>The Company has established a communication channels, and been dedicated to handling relevant matters. The company website also created an interested party column to maintain communication channels with interested parties at any time through information delivered by telephone, fax, e-mail, etc.
As for important corporate social responsibility issues that concern interested parties, the Company will handle matters and give appropriate feedback.</td><td>No difference</td></tr>
</table>

Evaluation Item	Implementation Status [1]			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
6. Has the Company appointed a professional registrar for its Shareholders Meetings?	V		The Company designates Fubon Securities Co., Ltd. to deal with shareholder affairs.	No difference
7. Information Disclosure				
(1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	V		(1) The Company has set up a Chinese/English website (http://www.davicom.com.tw) to disclose information regarding the Company's financials, business and corporate governance status	No difference
(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		(2) The Company has assigned an appropriate person to handle information collection and disclosure. The Company also has established a spokesman system. Investor conference information is disclosed on the corporate website.	No difference
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	V		(3) The Company follows relevant laws and regulations to announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline	No difference

Evaluation Item	Implementation Status [1]			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		(1) DAVICOM discloses its financial statements and corporate governance information on its Chinese and English websites (http://www.davicom.com.tw). (2) The Company aims to provide free access to transparent information for employees, investors, suppliers and stakeholders. (3) DAVICOM directors are experts in their professional specialties. Director training records can also be found on the MOPS website. (4) The Company has already instituted internal control systems as required by law and has properly implemented the system. (5) The Company also conducts risk assessments on banks, customers, and suppliers in order to reduce credit risks. (6) The Company has purchased Directors and Officers liability insurance for its directors and supervisors.	No difference
9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange	V		The Company would continue to cooperate with all competent authorities in promoting and improving corporate governance evaluation to strengthen corporate governance.	No difference

Circumstances of the company’s individual directors in implementing the diversified policy for members of the Board of Directors.

The company has revised the Article 20-3 of Corporate Governance Best Practice Principles on Nov.11,2016. Diversity should be considered in the composition of the board of directors

	Composition								Experience in Industry				Professionality			
Diversified Items / Name	Gender	Nationality	Company’s employee	Age		Tenure of Independent Directors			Network communication	Information Management and Security	Semiconductor IC design	Industry knowledge	Accounting	Information Technology	Risk Management	Financial management
				51 -60	61 -70	Less than 3 years	3~9 years	More than 9 years								
Ting Hao	Male	R.O.C.	V		V				V	V	V	V		V		V
Goodyears Investments Ltd. (Representative person: Wen-Chen Lin)	Female	R.O.C.			V							V	V		V	V
Tzay Hua Ltd. (Representative person: Cheng-Feng Chiu)	Male	R.O.C.	V	V					V	V	V	V		V		
Yun-Ping Lin	Male	R.O.C.			V							V			V	V
Chang-Yue Ueng	Male	R.O.C.		V		V				V		V	V		V	V
Jen-Jyh Hwang	Male	R.O.C.			V	V				V		V			V	
Niang-Shou Wei	Male	R.O.C.			V	V			V		V	V				V

Continuing Education/Training of Directors and Independent Directors in 2020

Title	Name	Date	Host by	Training/ Speech Title	Duration
Chairman	Ting Hao	2020/08/07	Taiwan Corporate Governance Association	Key technologies and market applications of 5G and IoT	3.0
		2020/07/14	Securities & Futures Institute	How to innovate KPI and performance management, in the era of digital economy	3.0
Director	Goodyears Investments Ltd. (Representative person: Wen-Chen Lin)	2020/09/11	Securities & Futures Institute	2020 Prevention Seminar of Insider Trading and Insiders' Share Transfers	3.0
		2020/06/05	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3.0
Director	Tzay Hua Ltd. (Representative person: Cheng-Feng Chiu)	2020/09/18	Securities & Futures Institute	2020 Prevention Seminar of Insider Trading and Insiders' Share Transfers	3.0
		2020/08/28	Taiwan Corporate Governance Association	Access to the AI risk management framework and enhance the trust of AI integrated applications	3.0
Director	Yun-Ping Lin	2020/09/04	Securities & Futures Institute	2020 Prevention Seminar of Insider Trading and Insiders' Share Transfers	3.0
		2020/06/12	Securities & Futures Institute	On the Responsibilities of Directors and Supervisors from the Cases of Illegal Securities market	3.0
Independent Director	Chang-Yue Ueng	2020/08/19	Securities & Futures Institute	2020 Seminar on Understanding Futures Derivative Commodities Hedging Trading and Operation	3.0
		2020/07/10	Taiwan Corporate Governance Association	Providing the information or not? The information right of directors	3.0
Independent Director	Jen-Jyh Hwang	2020/09/18	Securities & Futures Institute	2020 Prevention Seminar of Insider Trading and Insiders' Share Transfers	3.0
		2020/06/12	Taiwan Corporate Governance Association	Ten Lessons in Corporate Governance	3.0
Independent Director	Niang-Shou Wei	2020/08/19	Securities & Futures Institute	2020 Seminar on Understanding Futures Derivative Commodities Hedging Trading and Operation	3.0
		2020/08/14	Taiwan Corporate Governance Association	Introduction to corporate governance and compliance with relevant laws and regulations	3.0

3.4.4 Composition, Responsibilities and Operations of the Compensation Committee

The Compensation Committee aims at establishing and regularly reviewing the performance evaluation procedure for directors, supervisors and managers. In addition, it establishes compensation policy, system, standard and structure and regularly reviews the compensation of directors, supervisors and managers.

(1) Professional Qualifications and Independence Analysis of Compensation Committee Members

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, together with at Least Five Years' Work Experience: An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	Independence Criteria (Note) 1	2	3	4	5	6	7	8	9	10	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
Independent director	Chang-Yue Ueng			V	V	V	V	V	V	V	V	V	V	V	0	
Independent director	Jen-Jyh Hwang	V			V	V	V	V	V	V	V	V	V	V	1	
Independent director	Niang-Shou Wei			V	V	V	V	V	V	V	V	V	V	V	0	

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

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. The spouse, relatives within the second and other relatives of the manager listed in or the persons listed in (2) and (3), or a blood relative within the third parent.
5. Directors who do not directly hold more than 5% of the total issued shares of the company, hold the top five shares, or appoint representatives to act as directors or supervisors of the company's corporate shareholders in accordance with Article 27, paragraph 1 or 2, Supervisor or servant (but if the company and its parent company, subsidiary or subsidiary of the same parent company are independent directors established by this law or local state laws and regulations, they are not limited to this).
6. More than half of the shares that are not on the board of directors of the company or have voting rights are the directors, supervisors or employees of other companies controlled by the same person (but if they are the company or its parent company, subsidiary or a child of the same parent company (The independent directors established by the company in accordance with this law or local national laws shall not be limited to this).
7. Directors (directors), supervisors (supervisors) or employees (but in the case of the company and its parent company) of other companies or institutions that are not the same person or spouse with the company's chairman, general manager or equivalent, Independent directors set up by a subsidiary company or a subsidiary of the same parent company in accordance with this law or local state laws shall not be limited to this).
8. Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of a specific company or organization that does not have financial or business dealings with the company (but if a specific company or organization holds issued shares in the company) If the total number is more than

20% but not more than 50%, and the independent directors established by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws are concurrently serving, they are not limited).

9. Professionals, sole proprietorships, partnerships, companies or institutions that do not provide audits for companies or related companies or business, legal, financial, accounting and other related services that do not exceed NT $ 500,000 in cumulative compensation in the past two years Business owners, partners, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Salary and Compensation Committee, Public Takeovers Review Committee, or M & A Special Committee performing their functions and powers in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M & A
Act are not limited to this.

10. Not been a person of any conditions defined in Article 30 of the Company Act.

(2) Attendance of Members at Compensation Committee Meetings

a). Number of Board members: 3

b). Term of Office: 6/12/2019 – 6/11/2022. A total of four (A) Nomination Committee meetings were held in the previous period.

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Chairman	Jen-Jyh Hwang	4	0	100%	
Board Member	Chang-Yue Ueng	4	0	100%	
Board Member	Niang-Shou Wei	4	0	100%	

Other mentionable items:

1. In cases the Board doesn't adopt or revise Compensation Committee's proposals, the Company shall list date/number of the Board meeting, agenda, the Board's resolution and the Company's response to Remuneration Committee's proposal: None.
2. In cases Compensation Committee members have dissenting opinions or qualified opinions against the resolution and recorded with notes in paper, the Company shall list date, number of the Remuneration Committee meeting, agenda, all members' opinion and the follow-up of the members' opinion: None.

Compensation Committee Meeting Summary

Date	Meeting Resolutions
04/26/2021	1. Approved the 2021 internal managers' Dragon Boat Festival year-end bonus distribution
02/26/2021	1. Approved the compensation proposal of 2 new vice president promoted in 2021 2. Approved the 2020 managers' year-end bonus 3. Approved the 2020 Board of Director compensation and employee compensation distribution
08/10/2020	1. Approved the 2019 managers' compensation distribution
05/12/2020	1. Approved the 2020 internal managers' Dragon Boat Festival year-end bonus distribution

3.4.5 Key objectives of establishing a Nomination Committee:

The company's Nomination Committee was founded in August 10th, 2017 to assist the Board of Directors in developing and administering a fair and transparent procedure of setting policy on overall human resources strategy and remuneration of directors and senior management of the company. According to administrative rules, the Committee should consist of at least 3 members from the Board of Directors with more than half of members participating. The current committee includes two independent directors and one chairman. The Independent Director Niang-Shou Wei was nominated as Convener. The Nomination Committee is required to hold at least two meetings a year. More information about meeting summary and attendance rate can be found here: http://mops.twse.com.tw

(1) Number of Board members: 3

(2) Term of Office: 6/12/2019 – 6/11/2022. A total of two (A) Nomination Committee meetings were held in the previous period.

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Convener	Niang-Shou Wei	2	0	100%	
Board Member	Ting Hao	2	0	100%	
Board Member	Jen-Jyh Hwang	2	0	100%	

Nomination Committee Meeting Summary

Date	Meeting Resolutions
02/26/2021	1. Approved the 2020 Board of Directors final evaluation with an "excellent " and submitted the result to the board for confirmation.
12/17/2020	1. Approved the promotion proposal, CTO Cheng-Fang Chiu and PMD manager Hsin-Min Yu have been promoted to be vice president. The promotion proposal is approved by the nomination committee and the board of directors agree with the approval result submitted by the nomination committee on 2021/02/26.

3.4.6 Status of Fulfilling Corporate Social Responsibility and Differences and Causes of CSR Practices

Evaluation Item	Implementation Status[1]			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation[2]	
1. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations and formulate relevant risk management policies or strategies based on the principle of materiality?	V		The company has established the audit committee, compensation committee and risk management committee, each committee periodically assess the potential risky item and report the result to the general manager. The risk assessment report will be presented to the board of directors periodically. For the company management, the company establish risk management related policy to prevent the potential risk. For the environment, the company consider the strategy " Green Economy " is the solution to the risk "climate change", and developing the environment friendly technological product and reduce the emission of carbon dioxide. For society, the company value the social involvement. The company continuously corporate with NCTU. For corporate governance, the company had set up a corporate governance manager to ensure everyone follows the internal management regulation.	No difference
2. Does the company establish dedicated first-line managers (or acting in concurrent positions) authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		The company has set up CSR group in 2015 to promote social involvement and imported the CSR management system in 2016, the company's CSR group therefore turn into CSR committee. The CSR committee has set up 5 teams including corporation operation, employee caring, innovation research and development, sustainable environment and social involvement. The CSR committee hold meeting at least 2 times in a year. The committee report the CSR plan in the beginning of the year to the board of directors and report the result of plan in the end of the year. The execution status can be found in the company's website.	No difference
3. Sustainable Environment Development (1) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		(1) DAVICOM is an IC design company and all the products of DAVICOM are outsourcing manufacturing by companies that have received ISO 9001 and ISO 14001 certifications for environmental management systems. In line with ISO 9001 and ISO 14001's concept of continuous improvement, DAVICOM diligently carries out its responsibilities of pollution prevention, energy and resource conservation, waste reduction, accident prevention, and the establishment of a safe and comfortable work place.	No difference

Evaluation Item	Implementation Status [1]			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation [2]	
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(2)The Company strives for perpetual operations and development. According to the statistics from year 2007 to 2020, we reduced about 75%-85% of the waste annually.	No difference
(3) Does the company assess the potential risks and opportunities of climate change for companies now and in the future, and take measures to address climate-related issues	V		(3)The company dedicate to developing energy-saving products, helping customers to reduce the carbon emissions of products.	No difference
(4) Does the company keep records of greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?	V		(4)CO2 Emission Reduction Goal DAVICOM implements the greenhouse gas examination and makes continuous efforts to reduce CO2 creation and save energy including the reducing, reusing and recycling resources.	No difference
4. Social Topic (1) Does the company establish an appropriate environmental management system according to its industrial characteristics?	V		(1)The Company abides by the rules, policies, and procedures of the Labor Standards Act and international human rights agreements to protect the legitimate rights and interests of employees. The Company establishes complaint mechanism and channels for employees. We adhere to "Complaint and Punishment of Sexual Harassment in the Workplace", established complaint and punishment measures to handle gender equality in the workforce.	No difference

Evaluation Item	Implementation Status[1]			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation[2]	
(2) Does the company formulate and implement reasonable employee welfare measures (including compensation, vacations and other benefits), and appropriately reflect operating performance or results in employee compensation?	V		(2)The company holds the spirit of sharing profit with employees to encourage outstanding employees. Please refer to Corporate Social Responsibility Report 2019 p.53-61 for employees' compensation and welfare measures.	No difference
(3) Does the company provide a safe and healthy working environment for employees, and regularly implement safety and health education for employees?	V		(3)The company's office environment takes employees safety as the first priority (Please refer to the CSR report 2019 p.63 for more details). The Company aims to offer a safe and healthy working environment and promote a healthy lifestyle. The Company also regularly holds safety and health training sessions for employees.	No difference
(4) Does the company provide its employees with career development and training sessions?	V		(4)The company value employees' career development and has established effected career development training plan. For more details, please refer to the company's 2019 CSR report p.62.	No difference
(5) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, does the company follow relevant regulations and international standards, and formulate relevant protection policies and appeal procedures for consumer rights?	V		(5)The company's products and service are complying with related regulation and international rules for customers' and safety. At the same time, the company has already established customer service management procedure to provide feedback on customer complaints. For more details, please refer to the company's 2019 CSR report p.40.	No difference

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status [1]</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation [2]</th></tr>
<tr><td>(6). Does the company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?</td><td>V</td><td></td><td>(6)The company has promoted the eco-friendly policy and concept to the entire suppliers. Encourage suppliers to establish environmental, safety, and hygiene standards in accordance with the company's requirements.
The company also asks suppliers to reduce the wastage.
For more details about occupational safety and health, labor human rights issues, please refer to the company's 2019 CSR report p.46-48.</td><td>No difference</td></tr>
<tr><td>5. Does the company make reference to internationally-used report preparation standards or guidelines to prepare corporate social responsibility reports and other reports that disclose the company's non-financial information? Did the pre-report obtain the confidence or assurance opinion of the third-party verification unit?</td><td>V</td><td></td><td>The company complies with GRI guidelines published by the Global Reporting Initiative.
The company's CSR information disclosure direction follows Taiwan and international regulations such as Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, SDGs, ISO26000, EICC, etc.
The company's 2019 CSR report hasn't under certification by the third party.</td><td>No difference</td></tr>
<tr><td colspan="5">6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation: No difference.
Please refer to 2019 CSR report.</td></tr>
<tr><td colspan="5">7. Other important information to facilitate better understanding of the company’s implementation of corporate social responsibility:
(1) AI talent cultivation
The company cooperates with NCTU AI college and provides the new product” DM8111” from January 2020. The company and NCTU IBM iIoT research center held the embedded system summer workshop from 10th~14th August 2020.
(2) The Davicom Passage Love Program – The school fair of Guanshan Elementary School (Dream Home Experimental Primary School),Taitung County was suspended since the COVID-19. The fund for the school fair turned into the fund of precautions for the epidemic purposes. The rest of the activities are carried out in accordance with the original plan.
(3) Involvement of Hsinchu Science Industrial Park (HSIP) 40th anniversary charity plan. Including the release of HSIP 40", video and audio promotion, and industry representative telling stories for young people. The plan is from July 2020 to the end of December 2020.</td></tr>
</table>

3.4.7 Ethical Corporate Management and Differences and Causes of CSR Practices

Evaluation Item	Implementation Status [1]			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs (1). Has the company formulated the integrity management policy approved by the board of directors, and stated in the regulations and external documents the policies and practices of integrity management, and the board and senior management's commitment to actively implement the management policy?	V		(1)The Company's Ethical Corporate Management Best-Practice Principles is a guideline to provide high ethical standards for all employees. The principles are disclosed in the annual report and on the company website. The Board of Directors and the management place the greatest importance in adopting the highest standards of integrity and ethics in corporate management and employee work conduct.	No difference
(2). Whether the company has established an evaluation mechanism for the risk of dishonesty, and regularly analyze and evaluate business activities with high risks of dishonesty in the business scope, and establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	V		(2)Management team will promote how to prevent acts of dishonesty from time to time in the company's meetings, education and training, hoping to establish a consensus of all employees and follow the relevant laws and regulations to implement the integrity of management	No difference
(3). Does the company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?	V		(3)In order to prevent any unethical conduct, all employees must disclose any matters that have or may have the appearance of undermining the Principle, such as any actual or potential conflict of interest.	No difference

Evaluation Item	Implementation Status [1]			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
2. Fulfill operations integrity policy (1). Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(1)The Company holds annual business meetings, conveying our integrity requirements to all our business partners. In addition, an ethic-related clause is included in every business contract. If there is any breach of the clause, the Company may terminate the partnership at any time without any further obligation or compensation.	No difference
(2). Does the company set up a special unit under the board of directors to promote corporate integrity management, and regularly (at least once a year) report to the board on its integrity management policies and plans to prevent dishonesty and supervision and implementation?	V		(2)Department of Management.	No difference
(3). Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3)When conflicts of interest occur, the employee may report directly to the head of the department or to the chairman of the board of directors.	No difference
(4). Whether the company has established an effective accounting system and internal control system for the implementation of integrity management, and the internal audit unit formulates the relevant audit plan based on the assessment results of the risk of dishonesty, and checks the compliance with the plan to prevent dishonesty, Or entrust an accountant to perform the audit?	V		(4)The Company has established accounting and internal control systems to ensure integrity in our operations. After being analyzed and reviewed by both internal auditors and CPAs, the Company will compile them into an audit report.	No difference
(5). Does the company regularly hold internal and external educational trainings on operational integrity?	V		(5)Management team will promote how to prevent acts of dishonesty from time to time in the company's meetings or education and training, hoping to establish a consensus of all employees and follow the relevant laws and regulations to implement the integrity of management.	No difference

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status [1]</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>3. Operation of the integrity channel
(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?
(3) Does the company provide proper whistleblower protection?</td><td>V
V
V</td><td></td><td>(1)The Company established the Reporting Procedure and the reporting unethical behavior system. Employees can use this system to report unethical and improper behaviors, and the Company will designate senior management to handle the case.
(2)The Company has in place SOPs authorized by the Board which could be applied on any confidential investigations on such cases.
(3)The Company established precautions in order to protect whistleblowers.</td><td>No difference
No difference
No difference</td></tr>
<tr><td>4. Does the company disclose its ethical corporate management policies and the results of its implementation on the company’website and MOPS?</td><td>V</td><td></td><td>The Company’s Ethical Corporate Management Best-Practice Principles and the results of our implementation have been posted on the Company’s Chinese / English website and MOPS.</td><td>No difference</td></tr>
<tr><td colspan="5">5. If the company has established the ethical corporate management policies based on “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the policies and their implementation.: There have been no differences.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies): Please refer to the company’s website or Market Observation Post System (“MOPS”).</td></tr>
</table>

3.4.8 Corporate Governance Guidelines and Regulations

Please refer to the Company’s website at http://www.davicom.com.tw or Market Observation Post System (“MOPS”).

3.4.9 Other Important Information Regarding Corporate Governance:

Please refer to the Company’s website at http://www.davicom.com.tw or Market Observation Post System (“MOPS”).

Continuing Education/Training of Managers in 2020

Title & Name	Date	Host by	Training/ Speech Title	Duration
Finance Manager - Kuei-Feng Chiu	2020/08/13-2020/08/14	Accounting Research and Development foundation	Continuing Training Course for Accounting Manager of the Issuer and Stock Exchange	12
Proxy of Finance Manager- Feng-Yu Liu	2020/08/13-2020/08/14	Accounting Research and Development foundation	Continuing Training Course for Accounting Manager of the Issuer and Stock Exchange	12
Internal Auditor- Ching-Huan Hsiao	2020/02/19-2020/02/21	The Institute of Internal Auditors-Chinese Taiwan	Pre-employment training and study for new internal auditors in the company	18
	2020/07/06	The Institute of Internal Auditors-Chinese Taiwan	Policy analysis and key discussion on internal audit and internal control practices for cooperation to improve company's edition ability of financial statement	6
	2020/12/15	The Institute of Internal Auditors-Chinese Taiwan	Self-assessment practice	6
Proxy of Internal Auditor- Feng-Ching Yeh	2020/02/19-2020/02/21	The Institute of Internal Auditors-Chinese Taiwan	Pre-employment training and study for new internal auditors in the company	18
Manager of Corporate Governance- Chun-Chun Yang	2020/08/19	Securities & Futures Institute	Introduction of Futures financial derivatives hedging operation to listed company. The seminar to strength company's sustainable operation in 2020.	3
	2020/09/29	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	How to improve the self-editing ability of corporate financial reports and strengthen corporate governance	3
	2020/10/22	Securities & Futures Institute	2020 Prevention of insider trading and insider equity trading promotion briefing	3
	2020/12/23	Taiwan Stock Exchange Corporation (TWSE)	2020 Corporate Governance and Corporate Integrity Directors and Supervisors Propaganda Seminar	3

3.4.10 Status of the Internal Control System Implementation

(1). Declaration of Internal Control

DAVICOM Semiconductor, Inc.

Statement of Declaration of Internal Control

Date: February 26th, 2021

DAVICOM Semiconductor, Inc. has conducted internal audits in accordance with its Internal Control Regulations for the period ended December 31st, 2020, and hereby declares the following:

1. The Company acknowledges and understands that the establishment, enforcement, and preservation of internal control systems are the responsibility of the Board and that the managers and the Company have already established such systems. The purpose is to reasonably ensure the effectiveness (including profitability, performance, and security of assets), the reliability, timeliness, transparency of financial reporting, and legal and regulation compliance.
2. Internal control systems have limitations, no matter how perfectly they are designed. As such, effective internal control systems may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls systems. The internal control systems of the Company feature certain self-monitoring mechanisms. The company will take immediate corrective actions once any shortcomings are identified.
3. The Company judges the effectiveness of the internal control systems in design and enforcement according to the "Criteria for the Establishment of Internal Control Systems of Public Offering Companies" (hereinafter referred to as "the Criteria"). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control systems. There are five components for effective internal control as specified by the Criteria with which the procedures for effective internal controls are composed: (1) Control environment, (2) Risk evaluation, (3) Control operation, (4) Information and communication, and (5) Monitoring. Each of the elements in turn contains certain audit items, and the Criteria shall be referred to for details.
4. The Company has adopted the aforementioned internal control systems for an internal assessment of the effectiveness of internal control design and enforcement.
5. Based on the aforementioned audit findings, the Company holds that within the aforementioned period, its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability, timeliness, transparency of reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.
6. This statement of declaration shall form an integral part of the annual report and prospectus of the Company and shall be made public. If there is any fraud, concealment, or unlawful practices discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, 32, 171, and 174 of the Securities and Exchanges Act.
7. This statement of declaration has been approved by the Board on February 26th 2021 with all Directors in session under unanimous consent.

DAVICOM Semiconductor, Inc.

Chairman: Ting Hao

President: Ting Hao

(2). Disclose the Review Report of Independent Auditors if They are Retained for Reviewing the Internal Control System: None.

3.4.11 Reprimands on the Company and its Staff

Reprimand on the Company and its Staff in Violation of Laws, or Reprimand on its Employees in Violation of Internal Control System and Other Internal Regulations, Major Shortcomings and Status of Correction: None.

3.4.12 Major Resolutions of Shareholders' Meeting and Board Meetings

(1). Key solutions from the 2020 shareholders meeting

Meeting Resolutions	Implementation status
1. Approved the proposal for distribution of 2019 earnings.	According to the resolution, the record date for share dividend was August 18, 2020. Each shareholder will be entitled to receive a cash dividend of NT$0.81 per share on August 31, 2020.

(2). Key resolution from Board meeting

Date	Meeting Resolutions
04/26/2021	1. Approved the proposal for distribution of 2020 earnings 2. Approved the proposal for cash distribution of 2020 additional paid in capital 3. To approve the company 2021 internal manager Dragon festival(year-end) bonus distribution
02/26/2021	1. To report the resolution item and execution progress of last board meeting (2020.11.11) 2. To report the company's 2021 ESG execution plan 3. To report the fourth quarter 2020 internal control and audit status 4. To report 2020 Corporate Governance status 5. To report the promotion proposal of 2 vice president in 2021 6. Approved the proposal of 2020 Board of Directors assessment of performance 7. Approved the 2020 manager year-end bonus 8. Approved the 2021 CPA (Se-Kai, Lin and Chia-Hung, Lin from PricewaterhouseCoopers) assessment of Independence and performance of competence 9. Approved the 2021 CPA (Se-Kai, Lin and Chia-Hung, Lin from PricewaterhouseCoopers) appointment 10. Approved the 2020 distribution of Board of Director compensation and employee compensation 11. Adopted the 2020 Business Report and Financial Statements 12. Approved the proposal for distribution of 2020 earnings. 13. Approved the proposal for cash distribution of 2020 additional paid in capital 14. Approved the 2020 Statement of Declaration of Internal Control 15. Approved the 2021 operation budget 16. Approved the amendment of partial provision of

	compensation committee's regulation 17. Approved the amendment of partial provision of audit committee's regulation 18.Approved the amendment of partial provision of Rules of Procedure for Shareholders Meetings 19. Approved the date, location and agenda for convening the 2021 shareholder's meeting.
11/11/2020	1. To report the resolution item and execution progress of last board meeting (2020.08.10) 2. To report 2020 CSR execution result and the 2021 CSR plan 3. To report the third quarter 2020 internal control and audit status 4. To report the third quarter 2020 consolidated financial statement 5. To conduct the 2020 company's prevention of insider trading education promotion to directors (independent directors) 6. To approve the 2021 internal audit plan 7. To approve the amendment of company's prevention of insider trading management procedure
08/10/2020	1. To report the second quarter 2020 internal control and audit status 2. To report the second quarter 2020 consolidated financial statement 3. To report the 2017 new employees restricted stock issuance status 4. Approved the draft of 2019 internal employee compensation distribution 5.Approved the cancellation of 23,000 restricted employee shares issued in 2017 6.Approved the company's cash offering of NT$ 45 million to subsidiary company Medicom. 7.Approved the company's cash offering of NT$ 70 million to subsidiary company AideaLink.
06/10/2020	1. Approved the resolution date of share dividend of 2019 profit and Capital Surplus is August 18th 2020.
05/12/2020	1. To report the first quarter 2020 internal control and audit status 2. To report the first quarter 2020 consolidated financial statement 3. To report 2020 renew of liability insurance of directors (independent directors) and managers 4. To report the period for submitting to the company's 2020 shareholders' meeting to accept shareholders' proposals has ended. There is no proposal from shareholders who hold one percent (1%) or more of the total number of outstanding shares this year. 5.To report the proposal of 2020 1st buyback of treasury shares and transferred to employees. The actual buyback of treasury shares is 1,400 shares in total, the actual buyback execution rate is 70%. 6.To approve the company 2020 internal manager Dragon festival(year-end) bonus distribution

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

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

3.5 Information Regarding the Company's Audit Fee and Independence

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
PricewaterhouseCoopers (PWC)	Se-Kai Lin	Jan. 01, 2020 ~ Dec. 31, 2020	
	Hsien-Cheng Chen		

Note: If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason.

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Remark
1	Less than NT$ 2,000 thousand		242 thousand	Non-audit fees include reimbursement fees of 182 thousand, 2019 non-managerial positions announcement and report of 40 thousand, and property registration fee of 20 thousand.
2	NT$2,000 thousand ~ NT$4,000 thousand	2,500 thousand		
3	NT$4,000 thousand ~ NT$6,000 thousand			
4	NT$6,000 thousand ~ NT$8,000 thousand			
5	NT$8,000 thousand ~ NT$10,000 thousand			
6	Over NT$10,000,000			

(1). Non-audit fee paid to auditors, the audit firm and its affiliates accounted for more than one-fourth of total audit fee:: None.
(2). Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of previous year: Not applicable.
(3). Audit fee reduced more than 15% year over year: None

3.6 Replacement of CPA：None

3.7 The Company's Chairman, President or managers in charge of finance or accounting has been under current audit firm or its affiliates' employment in 2020：None

3.8 Net Changes in Shareholding

(1). Net change in shareholding and net change in shares pledged by directors, supervisors, management and shareholders with 10% shareholding or more.

Unit: Shares

Title	Name	2020		As of Apr. 09, 2021	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman and President	Ting Hao	124,500	0	0	0
Director	Goodyears Investments Ltd.	0	0	0	0
Representative of Juridical Person Director	Wen-Chen Lin	0	0	0	0
Director	Tzay Hua Ltd.	0	0	0	0
Representative of Juridical Person Director	Cheng-Feng Chiu	25,000	0	0	0
Director	Yun-Ping Lin	0	0	0	0
Independent Director	Chang-Yue Ueng	0	0	0	0
Independent Director	Jen-Jyh Hwang	0	0	0	0
Independent Director	Niang-Shou Wei	2,000	0	0	0
CFO	Chun-Chun Yang	50,000	0	(18,000)	0
CTO	Cheng-Fang Chiu	25,000	0	0	0
Senior Vice President	Wen-Hsien Chen	25,000	0	0	0
Vice President	Hsin-Min Yu	37,500	0	0	0

(2) Shares Trading or Pledge with Related Parties: None

3.9 Top 10 Shareholders Who are Related Parties to Each Other：None

3.10 Ownership of Shares in Affiliated Enterprises

As of Mar. 31, 2021 / Unit: shares

	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
TSCC Inc.	4,400,000	100.00	-	-	4,400,000	100.00
Davicom Investment Inc.	21,200,000	100.00	-	-	21,200,000	100.00
Medicom Corp.	5,000,000	100.00	-	-	5,000,000	100.00
Aidialink Corp.	8,000,000	100.00	-	-	8,000,000	100.00

Note: Long-Term Investment Ownership under Equity Method.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

(1) Issued Shares

Unit: thousands shares/ NT$ thousands

Month/ Year	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Approval Document No.
08/1996	10	15,000	150,000	13,000	130,000	Share capital when established	None	Yuan-Shang-Tze No. 18363
02/1997	10	30,000	300,000	19,000	190,000	Cash Replenishment 60,000	None	Yuan-Shang-Tze No. 05937
09/1997	10	30,000	300,000	24,000	240,000	Cash Replenishment 50,000	None	Yuan-Shang-Tze No. 20851
04/1999	12.5	60,000	600,000	40,000	400,000	Cash Replenishment 160,000	None	Yuan-Shang-Tze No. 12659
06/2000	10	60,000	600,000	50,950	509,500	Replenishment of Earnings 109,500	None	Taiwan-Finance-Securities (I) No. 48804
07/2001	10	60,000	600,000	53,138	531,380	Replenishment of Earnings 21,880	None	Taiwan-Finance-Securities (I) No. 144747
08/2002	10	80,000	800,000	53,138	531,380	-	-	Yuan-Shang-Tze No. 19317
02/2004	15	80,000	800,000	64,000	640,000	Cash Replenishment 108,620	None	Yuan-Shang-Tze No. 13143
12/2006	9.6	80,000	800,000	64,585	645,850	Exercise of Employee Stock Options 5,850	None	Yuan-Shang-Tze No. 0950027059
04/2007	9.6	80,000	800,000	69,016	690,158	Exercise of Employee Stock Options 44,308	None	Yuan-Shang-Tze No. 0950027230
06/2007	10	80,000	800,000	70,070	700,700	Replenishment of Earnings 10,542	None	Yuan-Shang-Tze No. 0960015699
08/2007	56	90,000	900,000	79,413	794,130	Cash Replenishment 93,430	None	Yuan-Shang-Tze No. 60022848
12/2007	8.7	90,000	900,000	79,462	794,623	Exercise of Employee Stock Options 493	None	Yuan-Shang-Tze No. 970000349
01/2008	8.7	90,000	900,000	79,510	795,104	Exercise of Employee Stock Options 483	None	Yuan-Shang-Tze No. 970018560
08/2008	10	90,000	900,000	81,750	817,504	Replenishment of Earnings and Additional Paid In Capital 22,400	None	Yuan-Shang-Tze No. 970021404
10/2008	7.1 and 7.8	120,000	1,200,000	82,128	821,284	Exercise of Employee Stock Options 3,780	None	Yuan-Shang-Tze No. 970029806
12/2008	10	120,000	1,200,000	81,268	812,684	Cancellation of Treasury Stocks 8,600	None	Yuan-Shang-Tze No. 970037867
01/2009	7.1 and 7.8	120,000	1,200,000	81,337	813,374	Exercise of Employee Stock Options 690	None	Yuan-Shang-Tze No. 980000699
01/2009	10	120,000	1,200,000	79,337	793,374	Cancellation of Treasury Stocks 20,000	None	Yuan-Shang-Tze No. 980001875
04/2009	7.1 and 7.8	120,000	1,200,000	80,507	805,071	Exercise of Employee Stock Options 11,697	None	Yuan-Shang-Tze No. 980010044

07/2009	7.8	120,000	1,200,000	80,839	808,391	Exercise of Employee Stock Options 3,320	None	Yuan-Shang-Tze No. 980018733
12/2009	6.6 and 7.3	120,000	1,200,000	81,163	811,631	Exercise of Employee Stock Options 3,240	None	Yuan-Shang-Tze No. 980034868
03/2010	6.6 and 7.3	120,000	1,200,000	81,947	819,471	Exercise of Employee Stock Options 7,840	None	Yuan-Shang-Tze No. 990007831
07/2010	7.3 and 33.6	120,000	1,200,000	82,039	820,386	Exercise of Employee Stock Options 915	None	Yuan-Shang-Tze No. 990019884
09/2010	10	102,000	1,200,000	83,660	836,601	Replenishment of Additional Paid In Capital 16,215	None	Yuan-Shang-Tze No. 990027547
12/2010	6.0 and 32.1	120,000	1,200,000	84,085	840,851	Exercise of Employee Stock Options 4,250	None	Yuan-Shang-Tze No. 99036978
03/2011	10	120,000	1,200,000	82,587	825,871	Cancellation of Treasury Stocks 14,980	None	Yuan-Shang-Tze No. 1000006339
05/2011	6	120,000	1,200,000	83,323	833,236	Exercise of Employee Stock Options 7,365	None	Yuan-Shang-Tze No. 1000013183
09/2011	6	120,000	1,200,000	83,432	834,321	Exercise of Employee Stock Options 1,085	None	Yuan-Shang-Tze No. 1000026173
10/2011	10	120,000	1,200,000	85,099	850,986	Replenishment of Earnings and Additional Paid In Capital 16,665	None	Yuan-Shang-Tze No. 1000032771
03/2012	4.8	120,000	1,200,000	85,227	852,271	Exercise of Employee Stock Options 1,285	None	Yuan-Shang-Tze No. 1010008507
07/2012	4.8	120,000	1,200,000	85,259	852,591	Exercise of Employee Stock Options 320	None	Yuan-Shang-Tze No. 1010020767
12/2012	4.2	120,000	1,200,000	85,289	852,891	Exercise of Employee Stock Options 300	None	Yuan-Shang-Tze No. 1010039626
08/2014	25.9 and 24.8	120,000	1,200,000	85,452	854,521	Exercise of Employee Stock Options 163	None	Zhu- Shang -Tze No. 1030023720
11/2014	10	120,000	1,200,000	83,215	832,151	Cancellation of Treasury Stocks 2,237	None	Zhu- Shang -Tze No. 1030034128
03/2015	24.8	120,000	1,200,000	83,255	832,551	Exercise of Employee Stock Options 40	None	Zhu- Shang -Tze No. 104007422
10/2017	10.0	120,000	1,200,000	84,655	846,551	Issue of Restricted Stock Awards 14000	None	Zhu- Shang -Tze No. 1060027458
2020/08	10.0	120,000	1,200,000	84,632	846,321	Cancellation of Restricted stock award Cancellation 23	None	Zhu- Shang -Tze No. 1090024339

(2) Type of Stock

As of Apr. 09, 2021 /Unit: Share

Share Type	Authorized Capital				Remarks
	Outstanding Stocks	Treasury Stocks	Un-issued Stocks	Total Stocks	
Common Stocks in registered form	81,717,089	2,915,000	35,367,911	120,000,000	-

(3) Information for Shelf Registration：None

4.1.2 Composition of Shareholders

As of Apr. 09, 2021

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions and Persons	Individuals	Total
Number of Shareholders	0	0	113	50	27,937	28,100
Shareholding (shares)	0	0	8,743,435	2,514,404	73,374,250	84,632,089
Percentage	0	0	10.33%	2.97%	86.70%	100.00%

Note：The Composition of Shareholders include the Company's treasury Stocks: 2,915,000 shares.

4.1.3 Distribution of Shareholding

(1). Distribution of Common Stock

As of Apr. 09, 2021

Common Share Shareholder Ownership	Number of Shareholders	Number of Shares Held	Percentage
1 ~ 999	15,257	374,994	0.44%
1,000 ~ 5,000	10,315	19,793,508	23.39%
5,001 ~ 10,000	1,429	11,372,926	13.44%
10,001 ~ 15,000	374	4,691,081	5.54%
15,001 ~ 20,000	243	4,528,863	5.35%
20,001 ~ 30,000	187	4,899,133	5.79%
30,001 ~ 40,000	73	2,610,953	3.09%
40,001 ~ 50,000	52	2,447,426	2.89%
50,001 ~ 100,000	88	6,137,749	7.25%
100,001 ~ 200,000	48	6,892,907	8.15%
200,001 ~ 400,000	22	5,914,321	6.99%
400,001 ~ 600,000	4	1,771,101	2.09%
600,001 ~ 800,000	3	2,075,000	2.45%
800,001 ~ 1,000,000	1	900,000	1.06%
1,000,001 ~ 1,200,000	0	0	0.00%
1,200,001 ~ 1,400,000	0	0	0.00%
1,400,001 ~ 1,600,000	1	1,480,652	1.75%
1,600,001 ~ 1,800,000	0	0	0.00%
1,800,001 ~ 2,000,000	1	1,844,000	2.18%
2,000,001 or over	2	6,897,475	8.15%
Total	28,100	84,632,089	100.00%

Note：The Status of Shareholders include the Company's treasury Stocks: 2,915,000 shares.

(2). Preferred Shares：None

4.1.4 List of Major Shareholders

Unit: Share

Shareholder's Name	Shareholding	
	Shares	Percentage
Goodyears Investments Ltd.	3,982,475	4.71%
DAVICOM Semiconductor, Inc. retirement/purchase account	2,915,000	3.44%
Ting Hao	1,844,000	2.18%
Tzay Hua Ltd.	1,480,652	1.75%
Mr.Lin	900,000	1.06%
Deutsche Bank	755,000	0.89%
Mr. Hsieh	670,000	0.79%
Ms. Chen	650,000	0.77%
Ms. Lin	500,000	0.59%
Mr. Hsu	438,000	0.52%

Note：The Status of Shareholders include the Company's treasury Stocks: 2,915,000 shares.

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

Unit: NT$

Items	2019 (Distributed In 2020)	2020 (Distributed In 2021)	Jan. 1 ~ Mar. 31, 2021
Market Price per Share			
Highest Market Price	21.00	26.20	44.90
Lowest Market Price	16.35	14.20	22.00
Average Market Price	17.90	19.94	30.20
Book Value per Share			
Before Distribution	13.74	13.19	NA
After Distribution	12.26	Note 9	NA
Earnings per Share			
Weighted Average Shares (thousand shares)	83,190	82,032	NA
Diluted Earnings Per Share	0.50	0.41	NA
Adjusted Diluted Earnings Per Share	0.50	Note 9	NA
Dividends per Share			
Cash Dividends	0.46	Note 9	NA
Stock Dividends			
Dividends from Retained Earnings	0	Note 9	NA
Dividends from Capital Surplus	0.35	Note 9	NA
Accumulated Undistributed Dividends	0	Note 9	NA
Return on Investment			
Price / Earnings Ratio	35.80	48.63	NA
Price / Dividend Ratio	38.91	Note 9	NA
Cash Dividend Yield Rate	2.57	Note 9	NA

Note 1: Setting forth the highest and lowest market price per share of common stock for each fiscal year. And calculating each fiscal year's average market price based upon each fiscal year's actual transaction prices and volume.
Note 2: Using the number of the outstanding issued shares at year end as the basis, and list the distribution based on the resolution of the shareholders meeting in the following year.
Note 3: If retrospective adjustment is required due to circumstances such as stock dividend distribution, the earnings per share before and after adjustment should be shown.
Note 4: If the equity securities issuance conditions regulate dividends that have not been paid in the current year are accumulated to the year of surplus, the dividends accumulated and unpaid as of the current year shall be disclosed separately.
Note 5 :Price / Earnings Ratio = Average Market Price / Earnings per Share
Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share
Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price
Note 8: Pending shareholders' approval in Annual General Shareholders' Meeting
Note 9: The 2020 earnings distribution has been approved by Board of Directors on Apr. 26, 2021. But, it hasn't been approved by the 2021 Annual Shareholders' Meeting so that the figures are not available to be presented.

4.1.6 Dividend Policy and Implementation Status

(1) Dividend Policy under the Articles of Incorporation

The dividend policy shall take factors into the following consideration factors such as the Company's current and future investment environment, needs for capital, domestic and overseas competition, capital budgeting plans, etc., demand for funds and come up with a proposal that strikes a balance among shareholders' benefits and the Company's long-term financial plans. Each year, the Board of Directors shall prepare a profit distribution proposal and report it at the shareholders' meeting. After considering financial, business and operational factors, the Company may distribute all distributable profits for the year; dividends to shareholders may be distributed in cash or stock, and the cash dividends shall not be lower than 30% of total dividends to shareholders.

(2) Under the Articles of Incorporation, the dividend ratio should not exceed 80% to 90% of total net profit of the year.

(3) Proposal to Distribute 2020 Profits (Approved by the Board and subject to Shareholders' approval)

A total of NT$29,418,152 out of 2020 distributable profits will be distributed as cash dividends. Each shareholder will receive NT$0.36 per share which is 90.00% of distributable profits. Additional total of NT$35,955,519 out of Paid in Capital will be distributed as cash dividends. Each shareholder will receive NT$0.44 per share. Each shareholder will be entitled to receive a total cash dividend of NT$0.80 per share.

4.1.7 Effect of 2020 Share Dividends to Operating Performance and EPS：

Not applicable.

4.1.8 Employees' Compensation and Remuneration to Directors and Supervisors

(1) According to Section twenty eight in the Article of Incorporation, the company shall pay taxes, cover accumulated deficits and set 10% of its net earnings apart as earned surplus. It is proposed that the board of directors has the authorization to adjust retained earnings distribution and submit it to shareholders meeting for approval.

To encourage all the employees and management team, a ratio of gain on current pre-tax profit before deduction of employees' compensation and directors' remuneration, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 8.5% for employees' compensation and shall not be higher than 2% for directors' remuneration.

A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attend by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash, In addition, a report of such distribution shall be submitted to the shareholders' meeting. Directors' remuneration shall be distributed in cash.

Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive employees' compensation in the form of stock or cash are set by the Board of Directors.

(2) In the event of any change in the number of outstanding shares resulting from executing employee stock options or converting treasury stock to its employees, the dividend ratio must be adjusted.

The Company's assessment of employees' compensation and directors' remuneration is based on the amount of experience in the past. In 2020, it is estimated 8.50% of pre-tax profit for employees' compensation and 2% of pre-tax profit for director's remuneration. If there is a difference between the actual distribution amount and the estimation, it shall be adjusted according to the accounting estimates and adjusted in the resolution of the shareholders' meeting resolution.

(3) Directors' remuneration is NT$838,740(1.998% of pre-tax profit) and the profit for total employees is NT$ 3,568,646(8.50% of pre-tax profit); both shall be paid in cash. The amounts are as same as those recognized in the 2020 financial statement.

(4) The Directors' remuneration of 2019 was NT$1,010,217 and total employees' compensation was NT$4,308,448; both were paid in cash. Both amounts as same as resolved by the Board of Directors.

4.1.9 Buyback of Company Stock

As of Apr. 30, 2021

Implementation of Buybacks	The first time,2018	The first time,2020
Purpose of Buyback	To transfer to employees	To transfer to employees
Scheduled period for the Buyback	2018/12/12 - 2019/02/11	2020/03/02- 2020/05/01
Price Range of Share Buyback (NT$)	14.5 – 24	16.5-25
Class and Quantity of Shares Bought Back (shares)	1,515,000 shares	1,400,000 shares
Accumulated Amount of Company Shares Bought Back (NT$)	NT$ 28,115,318	NT$ 22,736,358
Cumulative number of won shares held	1,515,000 shares	2,915,000 shares
Ratio of cumulative number of won shares held during the repurchase period of the total number of the Company's issued shares	1.79%	3.44%

4.2 Status of Corporate Bonds：None

4.3 Status of Preferred Stocks：None

4.4 Status of GDR/ADR：None

4.5 Status of Employee Stock Options Plan：None

4.6 Status of New Employees Restricted Stock Issuance：

(1) Issuance of New Restricted Employee Shares

Type of New Restricted Employee Shares	1th Tranche2017
Date of Effective Registration	2017.08.08
Issue date	2017.10.02
Number of New Restricted Employee Shares Issued	1,400,000 shares
Issued Price (NT$)	10/share
New Restricted Employee Shares as a Percentage of Shares Issued	1.68%
Vesting Conditions of New Restricted Employee Shares	If an employee continues to be employed in the Company through the vesting dates, without any violation of any terms of the Company's employment agreement, employee handbook, or policies

	and achievement of both employee performance criterion (more than or equal to 80) and the Company's operation objectives during the vesting period, are eligible to receive the vested shares. The actual portions of the vesting shares shall be determined by achievement of both personal performance and the Company's operation objectives. The calculation of the vesting shares ratio is as below: 1st year ended/20%,/ income before tax of each should no lower than 41.7million. eligible 2nd year ended /30%/ income before tax of each should no lower than 46.7million. 3rd year ended/50% / income before tax of each should no lower than 51.7 million.
Restricted Rights of New Restricted Employee Shares	1. During the vesting period, employees may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, restricted employee shares, excluding inheritance. 2. After new restricted employee shares are issued, and before the vesting conditions have been met, the employee may not for any reason or in any manner request that the trustee return the new restricted employee shares.
Custody Status of New Restricted Employee Shares	After new restricted employee shares are issued, before the vesting conditions have been met, the shares must be deposited in TDCC or the trust which the Company designated. And conduct with the share trust institution matters including, but not limited to, the negotiation, signing, amendment, extension, rescission, and termination of the trust agreement.
Measures to be Taken When Vesting Conditions are not Met	Repurchasing shares according to Issue Price and cancel the restricted employee shares.
Number of New Restricted Employee Shares that have been Redeemed or Bought Back	23,000 shares
Number of Released New Restricted Employee Shares	1,377,000 shares
Number of Unreleased New Restricted Shares	0 shares
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%)	0.00%
Impact on Shareholder's Interest	(1) The amount that may be expensed: Based on the market price of the company's common share on February 23, 2017 (the business day before the board meeting) of NT$ 22.8, if the existing conditions are fully met and didn't cancelled a. 1st year expensed amount is NT$13,226,667; b. 2nd year expensed amount is NT$8,106,667, c. 3rd year expensed amount is NT$4,266,666 The total expensed amount is NT$25,600,000. (2) Company's Earning Per Share dilution status: a.1st year of Earnings per share dilution is 0.159 b.2nd year of Earnings per share dilution is 0.097 c.3rd year of Earnings per share dilution is 0.051 (3) Other matters affecting shareholders' interest: None

(1) List of Executives Receiving New Restricted Employee Shares and the Top Ten Employees with New Restricted Employee Shares

As of Apr. 09, 2021

	Title	Name	No. of New Restricted Shares	New Restricted Shares as a Percentage of Shares Issued	Released				Unreleased			
					No. of Shares	Issued Price (NT$)	Amount (NT$ thousands)	Released Restricted Shares as a Percentage of Shares Issued	No. of Shares	Strike Price (NT$)	Amount (NT$ thousands)	Unreleased Restricted Shares as a Percentage of Shares Issued
Executive officers	Chairman	Mr.Hao	624,000 shares	0.74%	624,000 shares	NT$10/share	NT$6,240,000	0.74%	0 shares	NT$10/share	N5$ 0	0.00%
	President	Mr.Chen										
	CFO	Mr.Yang										
	CTO	Mr.Chiu										
	Senior Vice President	Mr.Chen										
	Vice President	Mr.Lin										
Employees	Senior Director	Mr. Torng	560,000 shares	0.66%	537,000 shares	NT$10/share	NT$5,370,000	0.63%	0 shares	NT$10/share	N5$ 0	0.00%
	Senior Director	Mr.Yu										
	Senior Director	Mr.Tsai										
	Senior Director	Mr.Chiu										
	Senior Director	Mr.Chuang										
	Manager	Mr.Chung										
	Manager	Mr.Niou										
	Finance Manager	Ms.Chiu										
	Special Assistant	Ms.Yeh										
	Sales Manager	Ms.Yu										

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions：None

4.8 Financing Plans and Implementation：None

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

(1). Main Areas of Business Operations

a). Design, research, develop, produce, manufacture and market the following products:

Product line of communication network integrated circuit	① Modem Chipsets ② LAN Controller ③ ISDN Modem Chipsets ④ Cable Modem Chipsets ⑤ ATM Transceiver and Controller ⑥ Provide the above-mentioned products with technological consultation services.
Product line of video images integrated circuit	① Video Decoder ② Provide technological consultation services for the product.
Product line of electronic paper display (EPD) driver integrated circuit	① EPD Segment Driver IC ② EPD Segment Controller IC ③ EPD Dot Matrix Driver Controller IC ④ Provide the above-mentioned products with technological consultation services.
Product line of microcontroller integrated circuit	① MCU IC ② Provide technological consultation services for the product.

b). Import and export of the above-mentioned products

(2). Revenue Distribution

As of Dec. 31, 2020

Major Divisions	(%) of Total Sales
LAN	87%
Other	13%

(3). Products Currently Offered by DAVICOM

Product	Product Specifications
USB 1.1/2.0 to Ethernet	3.3V/1.8V，0.18µm IC design; up to USB2.0/480Mbps with high speed; design for ultra-low power in power saving mode
Multi-port Embedded 10/100M Ethernet Switch Controller	10M/100Mbps Fast Ethernet Switch Controller; Support QoS，VLAN, IGMP, STP/RSTP, MLD; Design for integrated two port physical layer/transceiver single-chip
Industrial Fast Ethernet Switch Controller	Support IEEE 1588 Precision Time Protocol (PTP), industrial-temperature (-40°C~ +85°C), and general Electrical Specifications.
Industrial Embedded 10/100/1000M Multi-port Giga-PHY Transceiver	Industrial Embedded 10/100/1000M Multi-port Giga-PHY Transceiver compliant with Industrial Operation Temperature (-40℃ ~ +85℃)
10/100M TX/FX copper/fiber Media Ethernet Converter	Three port 10M/100Mbps Fast Ethernet Switch Controller with TX/FX copper/fiber Media; Low

	Latency effect to improve media conversion efficiency.
Consumer 10/100M USB 2.0 Dongle	Integrated multi-port 10/100M USB 2.0 Dongle
AI SoC With Integrated Image Recognition	Integrated Single chip Solution with CIS, NPU,MCU and image recognition.
Video Decoder with Safety Monitoring	1 channel Video Decoder / 4 channel (mixer) Video Decoder
Electronic paper display (EPD) Driver	Multi-segment Electronic paper display (EPD) Driver design for e-paper application spec.
MCU IC Microcontroller Chip for measuring health signal application	Embedded ROM/Flash, RAM, ADC, GPIO, UART/SPI/ISO7816, Low-Voltage Reset, ESD protection

(4). New Products under Development

Product	Product Specifications
Communication Network Protocol Acceleration Chip	Network protocol standard, 10/100/1000M physical layer and low power Ethernet
Ethernet Chip with Industrial Control Interface	SPI, I2C, 10/100, ESD
Multi-Segment and Dot-Matrix EPD Driver IC for E-paper Display	Compliant with most of E-paper providers
ESL System Total Solution	ESL Tag, Wireless AP, Server, API, etc.
Artificial Intelligence (AI) Image Sensor and Recognition IC	CMOS sensor, CPU, GPU and AI-based Image Recognition algorithum

5.1.2 Industry Overview

(1). Macroeconomic Environment
(2). Current Status and Future Development of DAVICOM
(3). Relationship with Up-, Middle- and Downstream Companies
(4). Product Trends and Competition
(5). Please refer to page 49-50 of the Chinese version annual report.

5.1.3 Research and Development

(1). Research and Development Expenses

Expressed in thousands of NTD

Year	R & D Expenses	%
01/01/2021-03/31/2021	17,145	26
01/01/2020-12/31/2020	67,488	29

(2). Please refer to page 50-51 of the Chinese version annual report

5.1.4 Long-term and Short-term Development Plans

(1). Short-term Development Plans
a). Strengthen business management, reduce risk accounts, and actively develop the mainland market and the Asia-Pacific market.
b). Expand the sales scale and promote the new products to increase margin.
c). Focus on quality management and provide customized service.

(2). Long-term Development Plans
a). Participate actively in cooperating with global corporations.
b). Continue to work closely with the supply chain and develop cost-effective solutions to ensure that product prices are competitive and increase market

share.

c). Provide best services and build up close relationship with customer to sustain more business possibilities to ensure the company's stable growth of margin.

5.2 Market and Sales Overview

5.2.1 Market Analysis

(1). Sales (Service) Region

As of Dec. 31, 2020 / Unit: NT$ thousand

Area / Division	Export Sales		Domestic Sales
	China	Overseas	Taiwan
LAN	150,642	32,533	20,602
EPD	372	2,444	4,406
Video	11,263	1,688	883
WAN & Others	655	3,872	4,182
Total	162,932	40,537	30,073

(2). Market Share of Major Product Categories

In recent years, the company has been committed to the niche market of embedded system chip. With a wide range of technical support and quality assurance, the products have won customers' trust, and the company's performance and its profit also increase remarkably.

(3). Market Analysis of Major Product Categories

With low price, high bandwidth and user-friendly features, Ethernet has not only become the most widely used local area networking technology, but also been gradually evolving new capabilities to enter customer electronics field and become the most attractive Embedded System Networking Technology.

(4). Favorable and Unfavorable Factors in the Long Term

a). Favorable factors:

-have been in the embedded system network communications market for years
-strong strategic alliances and partners
-own solid communication core technology
-efficient and systematic logistic control of production

b). Unfavorable factors:

-foreign competitors trying to use price-cutting to gain market share
-wireless based and SoC products will threaten the market of existing products

5.2.2 Production Procedures of Main Products

(1). Major Products and Their Main Uses

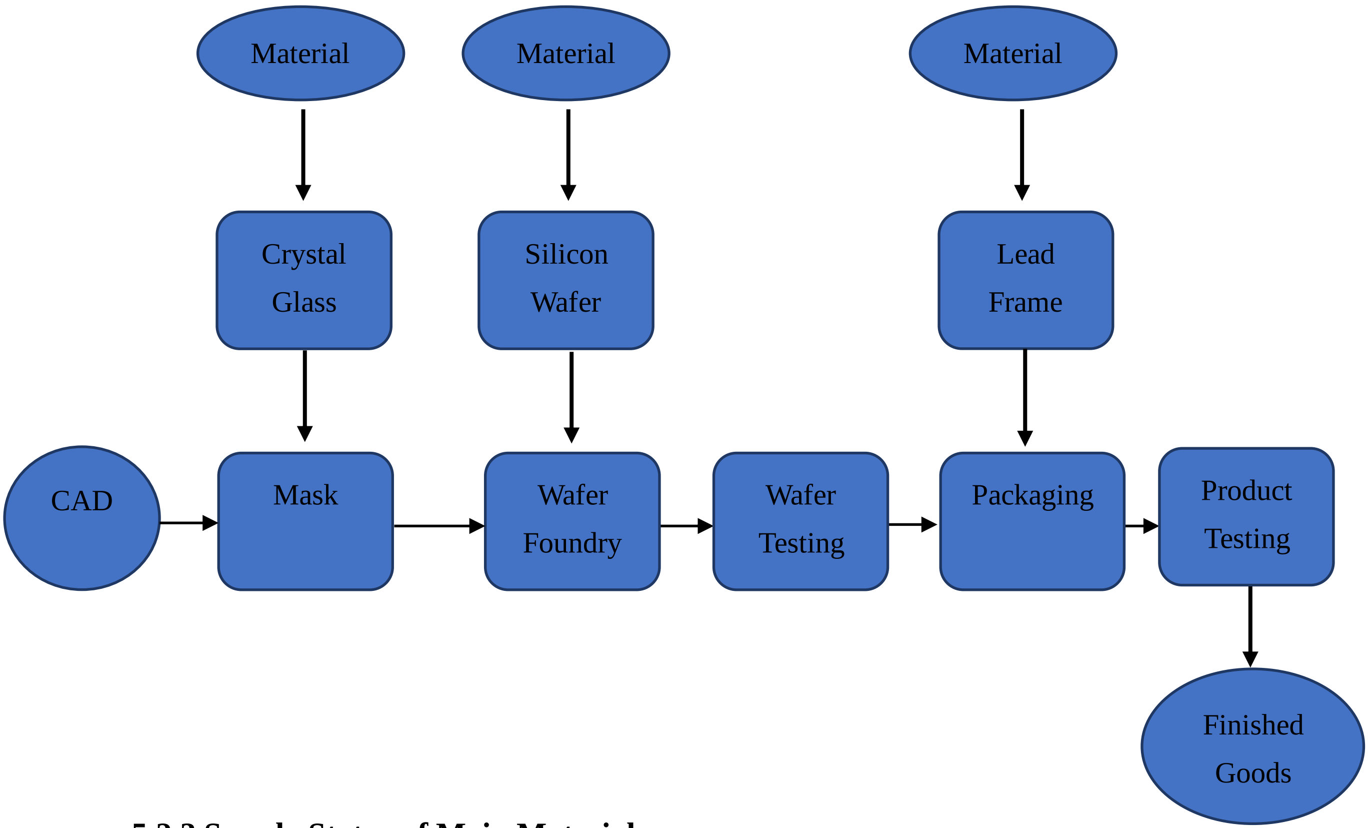
Major Products	Main Uses
Local Area Network Chipsets (LAN)	Computer communications application on the network card, hubs and switches, as local network resources to transfer and share.
Wide Area Network Chipsets (WAN)	Computer communications on the application of the data machine, as a remote access for data and video transmission.
Video Decoder Chipsets	Closed-circuit television security monitoring system or DVR / NVR system applications, as the camera image signal decoding.

Electronic Paper Display (EPD)	Drive electronic paper, suitable for low-power applications and equipment, such as financial smart cards, electronic shelf labels, wearing equipment etc.
Microcontroller Unit (MCU):	Motor control, analogy digital signal, RFID, financial smart card, electronic shelf labels, wearable equipment etc.

(2). Production Processes

The Group is a fabless IC design company.

We outsourced manufacturing to wafer foundries, packaging houses and testing companies.



5.2.3 Supply Status of Main Materials

Major Raw Materials	Wafer
Source of Supply	United Microelectronics Corporation (UMC)
Supply Situation	Long-term partnership
Procurement Strategy of DAVICOM	Focus on quality and the market trend. Our long-term partner United Microelectronics Corporation (UMC) has been able to maintain good quality and process capability, satisfying DAVICOM's requirements. DAVICOM negotiates pricing with suppliers according to the market supply and demand conditions. It also reviews the production and service quality periodically with its suppliers. DAVICOM not only continues to strengthen its cooperation with existing manufacturing partners, but also actively surveys and contacts other potential suppliers to ensure secured supply, high quality, and low-cost procurement.

5.2.4 Major Suppliers and Clients

(1). Major Suppliers in the Last Two Calendar Years

Unit: NT$ thousands

Item	2019				2020			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	I	19,460	68.91	None	I	23,469	70.41	None
2	III	5,558	19.68	None	III	4,317	12.95	None
3	V	1,375	4.87	None	VII	2,265	6.79	None
4	Others	1,845	6.54	None	Others	3,282	9.85	None
	Net Total Supplies	28,238	100.00		Net Total Supplies	33,333	100.00	

Note: (1) Major suppliers refer to those commanding 10%-plus share of annual order volume.
(2) Due to the vertical integration of the market, our main raw material wafers are purchased from UMC.

(2). Major Clients in the Last Two Calendar Years

Unit: NT$ thousands

Item	2019				2020			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	B	64,627	26.65	None	B	65,947	28.24	None
2	A	38,414	15.84	None	A	35,323	15.12	None
3	C	36,000	14.84	None	C	32,988	14.13	None
4	Others	103,490	42.67	None	Others	99,284	42.51	None
	Net Total Supplies	242,531	100.00		Net Total Supplies	233,542	100.00	

5.2.5 Production in the Last Two Years

Unit: NT$ thousands/ thousand pieces

Year Output / Major Products	2019			2020		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
LAN	-	6,396	61,980	-	5,962	58,413
EPD	-	1,082	6,334	-	585	3,300
Others	-	341	7,215	-	282	5,708
Total	-	7,819	75,529	-	6,829	67,421

Note: DAVICOM outsourced manufacturing to wafer foundries, packaging houses and testing companies. There's no production capacity limitation.

5.2.6 Shipments and Sales in the Last Two Years

Unit: NT$ thousands/ thousand pieces

Year Shipments and Sales / Major Products	2019				2020			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
LAN	570	22,233	5,658	186,154	449	20,602	5,802	183,174
EPD	807	4,556	344	3,295	768	4,406	108	2,815
Others	113	5,136	296	21,157	25	5,065	289	17,480
Total	1,490	31,925	6,298	210,606	1,242	30,073	6,199	203,469

5.3 Human Resources

Year		2019	2020	As of Mar. 31, 2021
Number of Employees	Engineering	55	52	52
	Administration	19	21	22
	Total	74	73	74
Average Age		49.9	50.9	51.1
Average Years of Service		13.8	14.1	14.2
Education	Doctoral	1	1	1
	Master	27	28	29
	Bachelor's Degree	44	41	41
	Senior High School	2	3	3

5.4 Environmental Protection Expenditure

The Group is a fabless IC design company and engaged with no production activities. The production, packaging and testing are outsourced to qualified subcontractors. There were no environmental penalties in the past years.

5.5 Labor Relations

Please refer to page 55~56 of the Chinese version annual report.

5.6 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Land Lease	Hsinchu Science Park Administration	Apr. 01, 2002~ Dec. 31, 2021	DAVICOM's Headquarters	According to the contract

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Five-Year Financial Summary – Individual Balance Sheet – IFRS

Unit: NT$ thousands

Year / Time		Financial Summary for The Last Five Years				
		Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2020
Current assets		683,557	655,442	603,561	531,249	343,228
Property, Plant and Equipment		128,085	125,105	121,633	160,142	166,738
Intangible assets		68	125	152	84	91
Other assets		5,758	6,888	8,338	15,291	13,117
Total assets		1,297,684	1,263,760	1,206,834	1,229,378	1,159,844
Current liabilities	Before distribution	55,274	45,825	39,593	44,606	37,214
	After distribution	146,854	122,015	106,105	111,949	Note
Non-current liabilities		22,418	18,020	17,889	80,422	78,844
Total liabilities	Before distribution	77,692	63,845	57,482	125,028	116,058
	After distribution	169,272	140,035	123,994	192,371	Note
Equity attributable to shareholders of the parent		1,219,992	1,199,915	1,149,352	1,104,350	1,043,786
Capital stock		832,551	846,551	846,551	846,551	846,321
Capital surplus		259,876	250,252	219,776	186,520	157,128
Retained earnings	Before distribution	129,652	116,479	108,378	116,884	111,296
	After distribution	65,546	70,765	75,122	78,640	Note
Other equity interest		(2,087)	(13,367)	(8,977)	(17,490)	(20,108)
Treasury stock		—	—	(16,376)	(28,115)	(50,851)
Total equity	Before distribution	1,219,992	1,199,915	1,149,352	1,104,350	1,043,786
	After distribution	1,128,412	1,123,725	1,082,840	1,037,007	Note

Note: Above financial data hasn't been approved by 2021 Annual Shareholders' Meeting.

6.1.2. Five-Year Financial Summary – Consolidated Balance Sheet – IFRS

Unit: NT$ thousands

Item \ Year		Financial Summary for The Last Five Years: Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2020	As of March 31, 2021
Current assets		993,969	957,276	917,316	823,753	742,956	770,919
Property, Plant and Equipment		130,087	126,720	122,860	160,982	166,738	165,823
Intangible assets		68	124	153	84	91	174
Other assets		5,788	6,888	8,338	15,292	13,117	11,508
Total assets		1,299,445	1,265,739	1,209,347	1,234,889	1,160,407	1,179,927
Current liabilities	Before distribution	55,743	47,470	40,972	48,998	37,777	40,274
	After distribution	147,323	123,660	107,004	116,341	Note	Note
Non-current liabilities		23,080	18,171	17,942	80,423	78,844	78,846
Total liabilities	Before distribution	78,823	65,641	58,914	129,421	116,621	119,120
	After distribution	170,403	141,831	125,426	196,764	Note	Note
Equity attributable to shareholders of the parent		1,219,992	1,199,915	1,149,352	1,104,350	1,043,786	1,060,807
Capital stock		832,551	846,551	846,551	846,551	846,321	846,321
Capital surplus		259,876	250,252	219,776	186,520	157,128	157,128
Retained earnings	Before distribution	129,652	116,479	108,378	116,884	111,296	128,137
	After distribution	65,546	70,765	75,122	78,640	Note	Note
Other equity interest		(2,087)	(13,367)	(8,977)	(17,490)	(20,108)	(19,928)
Treasury stock		—	—	(16,376)	(28,115)	(50,851)	(50,851)
Non-controlling interest		630	183	1,081	1,118	—	—
Total equity	Before distribution	1,220,622	1,200,098	1,150,433	1,105,468	1,043,786	1,060,807
	After distribution	1,129,042	1,123,908	1,083,921	1,038,125	Note	Note

Note1: Above financial data hasn't been approved by 2021 Annual Shareholders' Meeting.

Note2: Above financial data has been audited by CPA.

6.1.3 Five-Year Financial Summary – Individual Statement of Comprehensive Income – IFRS

Unit: NT$ thousands

Year / Item	Financial Summary for The Last Five Years				
	2016	2017	2018	2019	2020
Operating revenue	312,386	305,296	250,432	232,706	225,872
Gross profit	217,279	209,093	170,766	158,130	155,247
Income from operations	63,067	57,957	13,084	12,120	21,785
Non-operating income and expenses	18,958	1,048	29,352	33,072	15,792
Income before Income Tax	82,025	59,005	42,436	45,192	37,577
Net income from operations of continued segments	71,272	52,327	37,635	41,396	33,453
Income (Loss) from Discontinued Operation	—	—	—	—	—
Net income	71,272	52,327	37,635	41,396	33,453
Other comprehensive income (income after tax)	68,300	55,197	39,405	28,266	28,838
Total comprehensive income	68,300	55,197	39,405	28,266	28,838
Net income attributable to shareholders of the parent	71,272	52,327	37,635	41,396	33,453
Net income attributable to non-controllin interest	—	—	—	—	—
Comprehensive income attributable to Shareholders of the parent	68,300	55,197	39,405	28,266	28,838
Comprehensive income attributable to non-controlling interest	—	—	—	—	—
Earnings per share	0.86	0.63	0.44	0.50	0.41

Note: Above financial data has been audited by CPA.

6.1.4. Five-Year Financial Summary – Consolidated Statement of Comprehensive Income – IFRS

Unit: NT$ thousands

Year / Item	Financial Summary for The Last Five Years					As of March 31,2021
	2016	2017	2018	2019	2020	
Operating revenue	312,545	307,342	261,095	242,531	233,542	67,450
Gross profit	217,374	210,072	173,796	161,049	156,777	45,684
Income from operations	58,340	53,338	9,980	10,186	20,233	11,771
Non-operating income and expenses	23,393	5,239	32,871	35,089	17,327	9,227
Income before Income Tax	81,733	58,577	42,851	45,275	37,560	20,998
Net income from operations of continued segments	70,886	51,880	37,923	41,433	33,436	16,841
Income (Loss) from Discontinued Operation	—	—	—	—	—	—
Net income	70,886	51,880	37,923	41,433	33,436	16,841
Other comprehensive income (income after tax)	67,914	54,750	39,693	28,303	28,821	17,021
Total comprehensive income	67,914	54,750	39,693	28,303	28,821	17,021
Net income attributable to shareholders of the parent	71,272	51,880	37,923	41,396	33,453	16,841
Net income attributable to non-controlling interest	(386)	(447)	288	37	(17)	—
Comprehensive income attributable to Shareholders of the parent	68,300	55,197	39,405	28,266	28,838	17,021
Comprehensive income attributable to non-controlling interest	(386)	(447)	288	37	(17)	—
Earnings per share	0.86	0.63	0.44	0.50	0.41	0.21

Note: Above financial data has been audited by CPA.

6.1.5 Auditors' Opinions from 2016 to 2020

Year	Accounting Firm	CPA	Audit Opinion
2020	PWC	Se-Kai Lin, Hsien-Cheng Chen	Unqualified Opinion
2019	PWC	Se-Kai Lin, Chun-Yuan Hsiao	Unqualified Opinion
2018	PWC	Se-Kai Lin, Chun-Yuan Hsiao	Unqualified Opinion
2017	PWC	Se-Kai Lin, Chun-Yuan Hsiao	Unqualified Opinion
2016	PWC	Chin-Mu Hsiao, Chun-Yuan Hsiao	Unqualified Opinion

6.2 Five-Year Financial Analysis

6.2.1 Five-Year Individual Financial Analysis - IFRS

Item \ Year		Financial Analysis for the Last Five Years				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt Ratio	5.99	5.05	4.76	10.17	10.01
	Ratio of long-term capital to property, plant and equipment	969.99	973.53	959.64	739.83	673.29
Solvency (%)	Current ratio	1,236.67	1,430.32	1,524.41	1,190.98	922.31
	Quick ratio	1,181.51	1,346.57	1,439.75	1,122.29	848.79
	Times interest earned (times)	2,344.54	1,967.83	1,369.90	71.07	60.08
Operating performance	Accounts receivable turnover (times)	5.45	6.28	5.28	5.73	7.13
	Average collection period	66.97	58.12	69.13	63.70	51.19
	Inventory turnover (times)	1.85	1.76	1.52	1.76	1.85
	Accounts payable turnover (times)	7.51	6.82	6.13	7.09	7.90
	Average days in sales	197.30	207.39	240.13	207.39	197.30
	Property, plant and equipment turnover (times)	2.41	2.41	2.03	1.65	1.38
	Total assets turnover (times)	0.24	0.24	0.20	0.19	0.19
Profitability	Return on total assets (%)	5.41	4.09	3.05	3.44	2.84
	Return on shareholders' equity (%)	5.78	4.32	3.20	3.67	3.11
	Pre-tax income to paid-in capital (%)	9.85	6.97	5.01	5.34	4.44
	Profit ratio (%)	22.82	17.14	15.03	17.79	14.81
	Earnings per share (NT$)	0.86	0.63	0.44	0.50	0.41
Cash flow	Cash flow ratio (%)	149.64	116.91	134.22	161.48	111.70
	Cash flow adequacy ratio (%)	119.70	94.46	64.98	57.95	49.16
	Cash reinvestment ratio (%)	(1.23)	(3.47)	(2.17)	0.53	(2.66)
Leverage	Operating leverage	2.87	2.82	8.34	6.73	5.41
	Financial leverage	1.00	1.00	1.00	1.06	1.03

Analysis of financial ratio differences for the last two years.
(Not required if the difference does not exceed 20%)
The variation of Liquidity Analysis (ratio) is mainly due to the increase in investment to subsidiary and the decrease in cash equivalents.
The variation of Cash Flow Reinvestment Ratio is mainly due to the decrease in net Cash Provided by Operating Activities and the increase in investment to subsidiary.

6.2.2. Five-Year Consolidated Financial Analysis - IFRS

Item	Year	Financial Analysis for the Last Five Years 2016	2017	2018	2019	2020	As of March 31,2021
Financial structure (%)	Debt Ratio	6.07	5.19	4.87	10.48	10.05	10.10
	Ratio of long-term capital to property, plant and equipment	955.57	961.24	950.10	735.97	673.29	687.27
Solvency (%)	Current ratio	1,783.13	2,016.59	2,238.89	1,681.20	1,966.69	1,914.19
	Quick ratio	1,728.43	1,932.28	2,151.99	1,613.08	1,888.44	1,844.96
	Interest earned ratio (times)	2,336.23	1,890.58	1,383.29	71.19	60.06	136.47
Operating performance	Accounts receivable turnover (times)	5.44	6.32	5.48	6.30	7.18	7.91
	Average collection period	67.10	57.75	66.61	57.94	50.84	46.14
	Inventory turnover (times)	1.85	1.78	1.63	1.82	1.90	2.25
	Accounts payable turnover (times)	7.52	6.90	6.47	6.63	7.50	11.76
	Average days in sales	197.29	205.05	223.92	200.54	192.11	162.22
	Property, plant and equipment turnover (times)	2.39	2.39	2.09	1.71	1.43	1.62
	Total assets turnover (times)	0.24	0.24	0.21	0.20	0.20	0.23
Profitability	Return on total assets (%)	5.38	4.05	3.07	3.43	2.83	1.45
	Return on shareholders' equity (%)	5.74	4.29	3.23	3.67	3.11	1.60
	Pre-tax income to paid-in capital (%)	9.82	6.92	5.06	5.35	4.44	2.48
	Profit ratio (%)	22.68	16.88	14.52	17.08	14.32	24.97
	Earnings per share (NT$)	0.86	0.63	0.44	0.50	0.41	0.21
Cash flow	Cash flow ratio (%)	151.10	94.35	131.72	126.64	104.19	64.96
	Cash flow adequacy ratio (%)	118.49	87.43	77.29	67	58.05	57.96
	Cash reinvestment ratio (%)	(1.10)	(4.29)	(2.10)	(0.44)	(2.97)	2.71
Leverage	Operating leverage	2.89	2.84	14.13	12.86	6.23	3.09
	Financial leverage	1.00	1.00	1.00	1.07	1.03	1.01

Analysis of financial ratio differences for the last two years.
(Not required if the difference does not exceed 20%)
The variation of Cash Flow Reinvestment Ratio is mainly due to the decrease in net Cash Provided by Operating Activities and the office purchase.

Glossary:

1. Financial structure Analysis:
   (1). Debt ratio = Total liabilities / Total assets
   (2). Long-term asset to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment

2. Solvency Analysis:
   (1). Current ratio = Current assets / Current liabilities
   (2). Quick ratio = (Current assets – inventories – prepaid expenses) / Current liabilities
   (3). Times interest earned ratio = Earnings before interest and taxes / Interest expenses

3. Operating performance Analysis:
   (1). Average receivable turnover (times) = Net sales / Average trade receivables
   (2). Days sales in account receivable = 365 / Average receivable turnover (times)
   (3). Inventory turnover (times) = Cost of goods sold / Average inventory
   (4). Average payable turnover (times) = Purchase / Average accounts payables
   (5). Average days in sales = 365 / Inventory turnover (times)
   (6). Property, plant and equipment turnover (time) = Net sales / Average property, plant and equipment
   (7). Total assets turnover (times) = Net sales / Average assets

4. Profitability Analysis:
   (1). Ratio of return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets]
   (2). Ratio of return on shareholders' equity = Net income / Average shareholders' equity
   (3). Profit ratio = Net income / Net sales
   (4). Earnings per share = (Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average stock issued

5. Cash Flow:
   (1). Cash flow ratio = Net cash provided by operating activities / Current Liabilities
   (2). Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
   (3). Cash reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long term investments + other noncurrent assets + working capital)

6. Leverage:
   (1). Operating leverage = (Net operating income – operating cost and expense) / Operating income
   (2). Financial leverage = Operating income / (Operating income – interest expense)

6.3 Audit Committee's Review Report

DAVICOM Semiconductor Inc.

Audit Committee's Review Report

The Company's 2020 Financial Statements have been agreed by Audit Committee members of the Company and approved by the by the Board of Directors. The CPA firm of PricewaterhouseCoopers Taiwan was retained to audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements.

The Board of Directors has prepared the Company's 2020 Business Report and proposal for allocation of profits. The 2020 Business Report and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

To Davicom Semiconductor Inc. 2021 Annual Shareholders' Meeting

Independent Director: Chang-Yue Ueng

Independent Director: Jen-Jyh Hwang

Independent Director: Niang-Shou Wei

February 26, 2021

6.4 2020 Only Financial Statement and Report of Independent Accountants

Please refer to page A01~A61

6.5 2020 Consolidated Financial Statement and Report of Independent Accountants

Please refer to page B01~B56

6.6 The Impact on the Company's Financial Status in Cases where the Company or its Affiliates have Financial Difficulties：None

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

Unit: NT$ thousands

Item \ Year	2020	2019	Difference	
			Amount	%
Current assets	742,956	823,753	-80,797	-9.81%
Property, plant and equipment	166,738	160,982	5,756	3.58%
Intangible assets	91	84	7	8.33%
Other assets	250,622	250,070	552	0.22%
Total Assets	1,160,407	1,234,889	-74,482	-6.03%
Current liabilities	37,777	48,998	-11,221	-22.90%
Non-current liabilities	78,844	80,423	-1,579	-1.96%
Total liabilities	116,621	129,421	-12,800	-9.89%
Equity attributable to owners of parent	1,043,786	1,104,350	-60,564	-5.48%
Capital stock	846,321	846,551	-230	-0.03%
Capital surplus	157,128	186,520	-29,392	-15.76%
Retained earnings	111,296	116,884	-5,588	-4.78%
Other equity interest	-20,108	-17,490	-2,618	14.97%
Treasury shares	-50,851	-28,115	22,736	80.87%
Non-controlling interests	0	1,118	-1,118	-100.00%
Total equity	1,043,786	1,105,468	-61,682	-5.58%

Analysis of changes in financial ratios:
1. The decrease in current assets and total assets is mainly due to buyback of company's' shares and the distribution of cash dividends.
2. The decrease in Equity Attributable to Shareholders of the Parent and the increase in treasury shares is mainly due to the resolution of Buyback of Common Stock.

7.2 Analysis of Financial Performance

Unit: NT$ thousands

	2020	2019	Difference	
			Amount	%
Operating revenue	233,542	242,531	-8,989	-3.71%
Gross profit from operations	156,777	161,049	-4,272	-2.65%
Net operating income	20,233	10,186	10,047	98.64%
Non-operating income and expenses	17,327	35,089	-17,762	-50.62%
Profit before tax	37,560	45,275	-7,715	-17.04%
Tax expense	4,124	3,842	282	7.34%
Profit	33,436	41,433	-7,997	-19.30%
Other comprehensive income, net after tax	-4,615	-13,130	8,515	-64.85%
Total comprehensive income	28,821	28,303	518	1.83%
Profit, attributable to owners of parent	33,453	41,396	-7,943	-19.19%
Comprehensive income, attributable to owners of parent	28,838	28,266	572	2.02%

Analysis of changes in financial ratios:
1. The increase of income from Operations is mainly due to the cost reduction of the company.
2. The decrease of Non-operating Income and Expenses is mainly due to the appreciation of NTD.

7.3 Analysis of Cash Flow

7.3.1 Remedy for Cash Deficit and Liquidity Analysis

Year / Item	2020	2019	Variance (%)
Cash Flow Ratio (%)	104.19	126.64	-17.73%
Cash Flow Adequacy Ratio (%)	58.05	67.00	-13.36%
Cash Reinvestment Ratio (%)	-2.97	-0.44	575.00%
Analysis of financial ratio change: The increase in Cash Flow Reinvestment Ratio (over 20%): The variation of Cash Reinvestment Ratio is due to the decrease in Net Cash Provided by Operating Activities and Working Capital			

7.3.2 Cash Flow Analysis for the Coming Year

Unit: NT$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
706,775	62,801	61,553	708,023	-	-
(1) Analysis of Cash Flow for the Coming Year: a). Estimated Net Cash NT$ 62,801 thousand generated from Operating Activities：Mainly due to the estimated sales growth. b). The Cash Flow used in Cash dividends distribution. (2) Remedy for Estimated Cash Deficit and Liquidity Analysis: None					

7.4 Major Capital Expenditure Items：None

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

Unit: NT$ thousands

Remarks / Item	Investment Amount	Policies	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
TSCC Inc.	92,473	Holding	Gain	-	-
Davicom Investment Inc.	210,160	Investment holding	Loss	-	-
Aidia Link Inc.	72,100	Investment	Loss	-	-
Medicom Inc.	42,032	Investment	Loss	-	-

7.6 Analysis of Risk Management

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

(1) Risks associated with interest rate and Foreign Exchange Rates：

a). Interest Rate：

	Ratio of Interest Income to Company Income (%)	Ratio of Interest Expense to Company Income (%)
2020	8.00%	1.90%
2019	11.54%	1.56%

b). Exchange Rate：

	Exchange benefit (Loss)	Ratio of Exchange benefit (Loss) to Company Income (%)
2020	(12,930) thousands	(38.67) %
2019	(5,114) thousands	(12.34) %

(2) Risks associated with inflation：

There was no major impact from inflation on the Company’s 2020 operations.

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

The Company did not engage in any high-risk or high-leveraged investments.
The Company formulate the procedures related to lending and endorsement.

7.6.3 Future Research & Development Projects and Corresponding Budget

Research Projects	Completion (%)	Expected Research Expenditure (NT$)	Expected Completion Schedule
Dispensing Counter ESL Tag System (ESL Tag included)	- Wireless Protocol is being developed - ESL Tag is being developed - RF Gateway Server is being developed - UI is being developed - Server API is being developed	20 million	2021Q3
Voltage mode low-power high speed Ethernet transceiver chipsets	IC is being developed	10 million	2021Q4
Low power multi-color Dot-Matrix type EPD driver	IC qualification Ongoing	35 million	2021Q3
Low power MCU with LCD display driver interface for TENS/EMS	IC qualification Ongoing	20 million	2021Q2
Universal Serial Bus to Universal Asynchronous Receiver Transmitter converter control IC	IC is being developed	20 million	2022Q1

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

The Company consistently pays close attention to any changes in local and foreign policies and makes appropriate amendments to our systems when necessary. During 2020 and as of the date of publication of this annual report, changes in related laws have not had a significant impact on our operations.

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

The Company's gross margin decreased since the competitive market. The Company focuses on product improvement and cost reduction to response as the measures to the effect

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

The Company has consistently maintained an ethical business philosophy. Ethics has become the Company's essence in corporate governance.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans： None

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans： None

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration： None

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%： None

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights： None

7.6.12 Litigation or Non-litigation Matters： None

7.6.13 Other Major Risks：

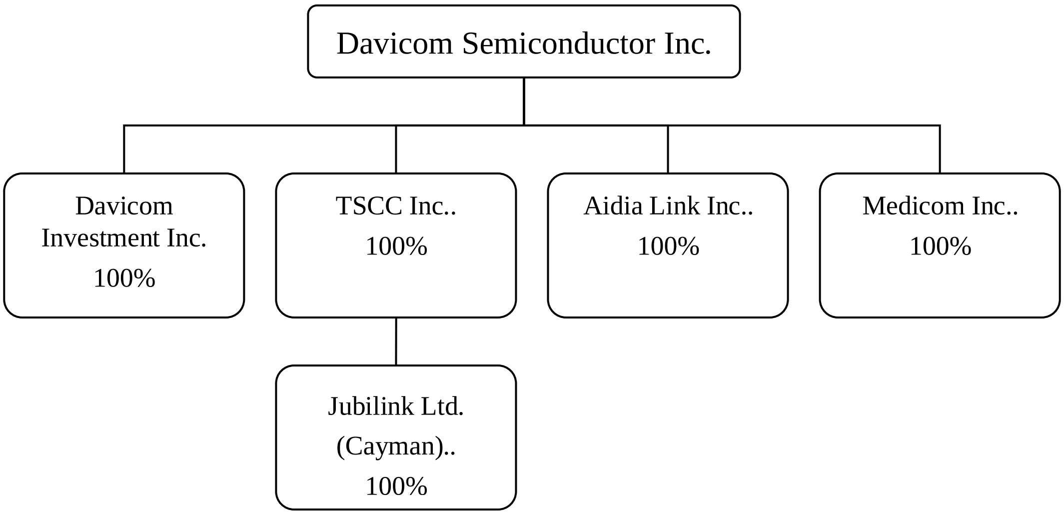
Please refer to page 166~167 of the Chinese annual report.

7.7 Other Material Events： None

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 The Company's Affiliated Companies Chart



8.1.2 The Company Affiliated Companies

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
TSCC INC.	Jan. 2002	TrustNet Chambers,Lotemau P.O. Box 1225, Apia, Samoa.	US$4,400 thousands	Investment activities
Davicom Investment Inc.	Apr. 2006	2F., No. 1, Ln. 53, Xinzhuang St., East Dist., Hsinchu City 300, Taiwan	NT$212,000 thousands	Investment activities
Medicom Inc.	Jul. 2010	2F., No. 1, Ln. 53, Xinzhuang St., East Dist., Hsinchu City 300, Taiwan	NT$50,000 thousands	Trade
Aidia Link Inc.	Apr. 2016	15F.-3, No. 60-3, Jianxin Rd., East Dist., Hsinchu City 300, Taiwan	NT$80,000 thousands	Telecommunication Equipment and Apparatus Manufacturing
Jubilink Ltd.	Jan. 2002	P.O. Box 219, Grand Cayman	US$2,500 thousands	Investment activities

8.1.3 Common Shareholders of the Company and Its Subsidiaries or Its Affiliates with Actual of Deemed Control：None

8.1.4 Business Scope of the Company and Its Affilied Companies

Company Name	Major Business
TSCC INC.	Investment activities
Davicom Investment Inc.	Investment activities
Medicom Inc.	Trade
Aidia Link Inc.	Telecommunication Equipment and Apparatus Manufacturing

8.1.5 List of Director, Supervisors and Presidents of the Company's Affiliated Companies

Company Name	Title	Name of Representative	Shares	% of Holding
TSCC INC.	Director	Nien-Tai Chen	4,400,000	100.00%
Davicom Investment Inc.	Chairman and President Director Director Supervisor	Ting Hao Nien-Tai Chen Chun-Chun Yang Kuei-Feng Chiu	21,200,000 21,200,000 21,200,000 21,200,000	100.00% 100.00% 100.00% 100.00%
Medicom Inc.	Chairman Director Director Supervisor	Chun-Chun Yang Cheng-Feng Chiu Chih-Fan Hsu Kuei-Feng Chiu	5,000,000 5,000,000 5,000,000 5,000,000	100.00% 100.00% 100.00% 100.00%
Aidia Link Inc.	Chairman Director/President Director Supervisor	Ting Hao Ping-Hung Liu Chun-Chun Yang Kuei-Feng Chiu	8,000,000 8,000,000 8,000,000 8,000,000	100.00% 100.00% 100.00% 100.00%

8.1.6 Operation Highlights of the Company's Affiliated Companies

Unit: NT$ thousands

Company Name	Capital	Asset	Liabilities	Net worth	Net Sales	Operation Income(Loss)	Net Income	EPS (NT$)
TSCC INC.	143,224	92,473	-	92,473	-	(38)	1,486	0.34
Davicom Investment Inc.	222,000	210,255	95	210,160	28,664	386	(1,843)	(0.09)
Medicom Inc.	50,000	44,882	78	44,804	63	(528)	(528)	(0.11)
Aidia Link Inc.	80,000	79,120	956	78,164	7,606	(1,149)	(1,534)	(0.19)
Jubilink Ltd.	82,725	-	-	-	-	-	-	-

8.1.7 Consolidated Financial Statements of Affiliated Enterprises：

Please refer to page B01~B56

8.1.8 Business Reports of Affiliated Enterprises：None

8.2 Private Placement Securities in the Most Recent Years：None

8.3 Holding or Disposition of the Company Stocks by Subsidiaries：None

8.4 Other Necessary Supplement：None

IX. Any Events that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan：None

DAVICOM SEMICONDUCTOR , INC.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of DAVICOM Semiconductor, Inc.

Opinion

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

In our opinion, based on our audits and the reports of other auditors (please refer to Other matter section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgement, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The Company’s key audit matters are as follows:

Evaluation of accounts receivable

Description

Please refer to Note 4(7) for accounting policies on accounts receivable recognition and accounts receivable valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to impairment of accounts receivable, Note 6(3) for details of accounts receivable. The balance of accounts receivable amounted to NT$31,856 thousand as at December 31, 2020.

The Company’s accounts receivable arises from selling goods, and collecting in accordance with credit period which is determined by the Credit Quality Control Policy of individual customers’ credit quality.

Allowance for uncollectible accounts are based on expected credit losses during its existing period. For the purpose of measurement, underlying receivable should be grouped appropriately and the assumptions should be judged and analyzed. The aging of intervals, expected loss ratio and forward-looking information usually include subjective judgement, therefore, we determined the valuation of accounts receivable as one of the key areas of focus for this year’s audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Checked and tested the assumptions of expected credit losses and assessed the reasonableness of the aging of intervals, including objective evidences used to determine the accuracy of periods and credit terms. Verified whether there are long overdue unrecoverable accounts receivable on the list to assess the adequacy of allowance for uncollectible accounts.
2. Checked and tested accounts receivable aging schedule which is classified based on customer types, based on subsequent collections, and discussed with management for its assessment of recoverability of past due receivables.

Evaluation of inventories

Description

Please refer to Note 4(10) for accounting policy on inventory valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to inventory valuation, Note 6(4) for details of inventory. The balance of inventory and allowance for inventory valuation losses amounted to NT$23,494 thousand and NT$13,971 thousand as at December 31, 2020, respectively.

The Company is engaged in research, development, production, manufacturing and sales of local area network chipset. Due to rapid changes in technology, the life cycle of products is short and easily affected by market prices, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Company measures inventory for normal sales at the lower of cost or net realisable value method. For inventory aging over certain period, individual inventory valuation losses and obsolete inventory, provision for loss is made through individual identification and measured at net realisable value. As a result of the significant amount, numerous items, and since identifying obsolete and damaged inventory usually involves management judgement, it also belongs to one of the audit scopes involving professional judgement. Therefore, we determined the estimate of inventory valuation losses as one of the key areas of focus for this year’s audit.

<u>How our audit addressed the matter</u>

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the business, industry, products and inventory aging to assess the provision policy of allowance for inventory valuation losses, verifying whether the related accounting policies are consistent with the last period, and evaluating whether the provision policy is reasonable.
2. Obtained inventory aging report from management, analyse and compare the different reasons for loss due to market value decline and obsolete and slow-moving inventories to assess the appropriateness of loss for market value decline and obsolete and slow-moving inventory policy.
3. For summary statement that management uses to valuate loss for market value decline and obsolete and slow-moving inventories, confirming whether it agrees with the statement details generated from system, and verifying that obsolete and slow-moving inventories which were provided valuation losses, has been completely listed in the statement.
4. Tested book value of ending inventory, through selecting samples and obtaining invoices of last period to verify whether they were measured at the lower of cost or net realizable value method, and recalculating and valuating the reasonableness of changes in allowance for inventory valuation losses.
5. Participating and observing the year-end physical inventory count to verify the existence and completeness of inventory, and checking the condition of inventory to assess the appropriateness of allowance for inventory valuation losses of obsolete and slow-moving inventories.

Other matters

Reference to report of the other auditors

The share of profit or loss of related companies recognised under the equity method, which is recognised in the audit report of other auditors for the years ended December 31, 2020 and 2019, is NT($3,888) thousand and NT$1,210 thousand, respectively. Additionally, the recognised comprehensive income comprising share of other comprehensive income in subsidiaries, were both NT$0 thousand for the abovementioned periods. As of December 31, 2020 and 2019, the balance of the investments accounted for using the equity method was NT$333,128 thousand and NT$220,612 thousand, respectively.

Responsibilities of management and those charged with governance for the Parent Company Only financial statements

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

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

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

Auditors' responsibilities for the audit of the Parent Company Only financial statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. 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.

Se-Kai Lin Hsien-Cheng Chen

For and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2021

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

DAVICOM SEMICONDUCTOR , INC.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars,)

	Assets	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 283,217	25	$ 464,395	38
1150	Notes receivable, net	6(3)	59	-	-	-
1170	Accounts receivable, net	6(3)	31,856	3	31,440	3
1200	Other receivables		170	-	4,773	-
1210	Other receivables - related parties	7	567	-	-	-
130X	Inventories, net	6(4)	23,494	2	24,841	2
1410	Prepayments		3,865	-	5,800	-
11XX	**Current Assets**		343,228	30	531,249	43
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(2)	39,268	3	30,552	3
1550	Investments accounted for under equity method	6(5)	425,601	37	316,777	26
1600	Property, plant and equipment	6(6)	166,738	14	160,142	13
1755	Right-of-use assets	6(7)	61,941	5	63,750	5
1760	Investment property - net	6(9)	100,716	9	102,940	8
1780	Intangible assets		91	-	84	-
1840	Deferred income tax assets	6(24)	9,144	1	8,593	1
1900	Other non-current assets	6(10)	13,117	1	15,291	1
15XX	**Non-current assets**		816,616	70	698,129	57
1XXX	**Total assets**		$ 1,159,844	100	$ 1,229,378	100

(Continued)

DAVICOM SEMICONDUCTOR , INC.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars,)

	Liabilities and Equity	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Current liabilities					
2130	Current contract liabilities		$ 94	-	$ 57	-
2150	Notes payable		2,223	-	5,944	1
2170	Accounts payable		4,850	1	4,856	1
2200	Other payables	6(11)	25,643	2	28,560	2
2230	Current income tax liabilities	6(24)	775	-	2,234	-
2280	Current lease liabilities	6(27)	1,552	-	1,537	-
2310	Advance receipts		2,077	-	1,418	-
21XX	**Current Liabilities**		37,214	3	44,606	4
	Non-current liabilities					
2570	Deferred income tax liabilities	6(24)	512	-	512	-
2580	Non-current lease liabilities	6(27)	60,948	5	62,500	5
2600	Other non-current liabilities	6(12)	17,384	2	17,410	1
25XX	**Non-current liabilities**		78,844	7	80,422	6
2XXX	**Total Liabilities**		116,058	10	125,028	10
	Equity					
	Share capital	6(15)				
3110	Common stock		846,321	73	846,551	69
	Capital surplus	6(16)				
3200	Capital surplus		157,128	13	186,520	15
	Retained earnings	6(17)				
3310	Legal reserve		78,569	7	74,393	6
3350	Undistributed earnings	6(24)	32,727	3	42,491	3
	Other equity interest					
3400	Other equity interest		(20,108)	(2)	(17,490)	(1)
	Treasury shares	6(15)				
3500	Treasury shares		(50,851)	(4)	(28,115)	(2)
3XXX	**Total equity**		1,043,786	90	1,104,350	90
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	**Total liabilities and equity**		$ 1,159,844	100	$ 1,229,378	100

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

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

	Items	Notes	2020 AMOUNT	2020 %	2019 AMOUNT	2019 %
4000	Sales revenue	6(18)	$ 225,872	100	$ 232,706	100
5000	Operating costs	6(4)(22)(23)	(70,625)	(31)	(74,576)	(32)
5900	Net operating margin		155,247	69	158,130	68
	Operating expenses	6(22)(23)				
6100	Selling expenses		(23,711)	(11)	(29,762)	(12)
6200	General and administrative expenses		(41,762)	(18)	(41,559)	(18)
6300	Research and development expenses		(67,489)	(30)	(74,789)	(32)
6450	Impairment on expected credit gains (losses)	6(3) and 12(2)	(500)	-	100	-
6000	Total operating expenses		(133,462)	(59)	(146,010)	(62)
6900	Operating income		21,785	10	12,120	6
	Non-operating income and expenses					
7100	Interest income	6(19)	1,050	-	2,426	1
7010	Other income	6(20)	25,959	12	19,537	8
7020	Other gains and losses	6(21)	(8,179)	(4)	(708)	-
7050	Finance costs	6(22)	(636)	-	(645)	-
7070	Share of (loss) profit of associates and joint ventures accounted for under equity method	6(5)	(2,402)	(1)	12,462	5
7000	Total non-operating income and expenses		15,792	7	33,072	14
7900	**Income from continuing operations before income tax**		37,577	17	45,192	20
7950	Income tax expense	6(25)	(4,124)	(2)	(3,796)	(2)
8000	**Profit for the year from continuing operations**		33,453	15	41,396	18
8200	**Profit for the year**		$ 33,453	15	$ 41,396	18
	Other comprehensive income, net					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans	6(13)	$ 293	-	$ 458	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	(59)	-	(92)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		234	-	366	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations		(4,849)	(2)	(13,496)	(6)
8360	Components of other comprehensive income that will be reclassified to profit or loss		(4,849)	(2)	(13,496)	(6)
8300	**Other comprehensive (loss) income for the year, net**		($ 4,615)	(2)	($ 13,130)	(6)
8500	**Total comprehensive income for the year**		$ 28,838	13	$ 28,266	12
	Basic earnings per share	6(26)				
9750	Net income		$ 0.41		$ 0.50	
	Diluted earnings per share	6(26)				
9850	Net income		$ 0.41		$ 0.49	

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

DAVICOM SEMICONDUCTOR , INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Share capital	Capital surplus		Retained earnings		Other equity interest			
	Notes	Common stock	Additional paid-in capital	Restricted stock	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Other equity - others	Treasury stocks	Total
Year 2019										
Balance at January 1, 2019		$ 846,551	$ 166,782	$ 52,994	$ 70,549	$ 37,829	($ 1,763)	($ 7,214)	($ 16,376)	$1,149,352
Profit for the year		-	-	-	-	41,396	-	-	-	41,396
Other comprehensive income (loss)		-	-	-	-	366	(13,496)	-	-	(13,130)
Total comprehensive income (loss)		-	-	-	-	41,762	(13,496)	-	-	28,266
Appropriation and distributed of 2018 earnings	6(17)									
Legal reserve		-	-	-	3,844	(3,844)	-	-	-	-
Cash dividends		-	-	-	-	(33,256)	-	-	-	(33,256)
Cash dividends distribution from capital surplus	6(16)(17)	-	(33,256)	-	-	-	-	-	-	(33,256)
Restricted stocks to employees	6(14)(15)	-	5,355	(5,355)	-	-	-	4,983	-	4,983
Treasure share repurchase	6(15)	-	-	-	-	-	-	-	(11,739)	(11,739)
Balance at December 31, 2019		$ 846,551	$ 138,881	$ 47,639	$ 74,393	$ 42,491	($ 15,259)	($ 2,231)	($ 28,115)	$1,104,350
Year 2020										
Balance at January 1, 2020		$ 846,551	$ 138,881	$ 47,639	$ 74,393	$ 42,491	($ 15,259)	($ 2,231)	($ 28,115)	$1,104,350
Profit for the year		-	-	-	-	33,453	-	-	-	33,453
Other comprehensive income (loss)		-	-	-	-	234	(4,849)	-	-	(4,615)
Total comprehensive income (loss)		-	-	-	-	33,687	(4,849)	-	-	28,838
Appropriation and distribution of 2019 earnings	6(17)									
Legal reserve		-	-	-	4,176	(4,176)	-	-	-	-
Cash dividends		-	-	-	-	(38,244)	-	-	-	(38,244)
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiaries		-	-	-	-	(1,031)	-	-	-	(1,031)
Cash dividends distributed from capital surplus	6(16)(17)	-	(29,099)	-	-	-	-	-	-	(29,099)
Restricted stocks to employees	6(14)(15)	(230)	8,632	(8,925)	-	-	-	2,231	-	1,708
Treasure shares repurchased	6(15)	-	-	-	-	-	-	-	(22,736)	(22,736)
Balance at December 31, 2020		$ 846,321	$ 118,414	$ 38,714	$ 78,569	$ 32,727	($ 20,108)	$ -	($ 50,851)	$1,043,786

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

DAVICOM SEMICONDUCTOR , INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 37,577	$ 45,192
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including investment property and right-of-use assets)	6(6)(7)(9)	8,461	8,422
Amortisation	6(22)	3,179	3,644
Impairment on expected credit (gains) losses	6(3) and 12(2)	500	(100)
Cost of restricted stocks to employees	6(14)(15)	1,938	4,983
Deferred charges transferred to research and experimental expenses		2,081	-
Interest income	6(19)	(1,050)	(2,426)
Interest expense	6(22)	636	645
Share of profit of associates accounted for under equity method	6(5)	2,402	(12,462)
Net profit on financial assets at fair value through profit or loss	6(2)(21)	(8,716)	(9,546)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(59)	64
Accounts receivable		(916)	8,654
Other receivables		(27)	311
Other receivables - related parties		(567)	-
Inventories, net		1,347	7,241
Prepayments		1,935	(4,360)
Financial assets at fair value through profit or loss-non-current		-	20,952
Changes in operating liabilities			
Current contract liabilities		37	57
Notes payable		(3,721)	1,257
Accounts payable		(6)	(701)
Other payables		(3,147)	(399)
Advance receipts		659	1,028
Net defined benefit liabilities		175	86
Cash inflow generated from operations		42,718	72,542
Interest received		1,186	2,388
Interest paid		(636)	(645)
Income tax received		4,494	-
Income tax paid		(6,193)	(2,257)
Net cash flows from operating activities		41,569	72,028

(Continued)

DAVICOM SEMICONDUCTOR , INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments accounted for under equity method	6(5)	($ 117,132)	$ -
Dividends received from investments accounted for using equity method		26	-
Acquisition of property, plant and equipment	6(6)	(10,949)	(42,202)
Acquisition of investment property	6(9)	(75)	-
Increase (decrease) in refundable deposits		72	(94)
Increase in intangible assets		(186)	(120)
Increase in other assets		(2,979)	(10,315)
Net cash flows used in investing activities		(131,223)	(52,731)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in guarantee deposits received	6(12)(27)	92	373
Payments of cash dividends	6(17)	(67,343)	(66,512)
Repayments of principal for lease liabilities	6(7)(27)	(1,537)	(1,522)
Treasure stock repurchase	6(15)	(22,736)	(11,739)
Net cash flows used in financing activities		(91,524)	(79,400)
Net decrease in cash and cash equivalents		(181,178)	(60,103)
Cash and cash equivalents at beginning of year		464,395	524,498
Cash and cash equivalents at end of year		$ 283,217	$ 464,395

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

DAVICOM SEMICONDUCTOR, INC.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Davicom Semiconductor, Inc. (the "Company") was incorporated on August, 1996, as a corporation limited by shares and opened in the same year. The Company is primarily engaged in the research, development, production, manufacturing and sales of communications network ICs. The Company's stock has been listed on the Taiwan Stock Exchange since August 6, 2007.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These financial statements were authorised for issuance by the Board of Directors on February 26, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7 ,'Interest rate benchmark reform'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	June 1, 2020

Note：Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment:proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the parent company only statements have been prepared under the historical cost convention:

(a) Financial assets at fair value through profit or loss.

(b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

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

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

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

D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Accounts and notes receivable

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

B. The Company initially measures accounts and notes receivable at fair value and subsequently recognises the amortised interest income over the period of circulation using the effective interest method and the impairment loss. A gain or loss is recognised in profit or loss.

(8) Impairment of financial assets

The Company assesses at each balance sheet date including accounts receivable that have a significant financing, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Investments accounted for using equity method / Subsidiaries and associates

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Company obtains control of the subsidiaries and ceases when the Company loses control of the subsidiaries.

B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

F. Accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants", the profit and loss of the parent company only financial report and other comprehensive gains and losses should be the same as the current profit and loss and other comprehensive gains and losses in the financial report prepared on an individual basis, which is the share of the owner of the parent company. The parent company only financial report owner's equity should be included in the financial report prepared on an individual basis. The owners' equity attributable to the parent company is the same.

(12) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	5~50 years
Computer communications equipment	3 ~ 4 years
Other equipment	4 ~ 6 years

(13) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(14) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its estimated useful life of 5~50 years.

(15) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial and subsequently amortises the interest expense in profit or loss over the period of circulation using the effective interest method.

(18) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(19) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Company recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Company and the Company must refund their payments on the stocks. The Company recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(20) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(21) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(22) Dividends

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

(23) Revenue recognition

A. The Company manufactures and sells communications network ICs. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, when the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. No element of financing is deemed present as the sales are made with a credit term of 30 to 75 days, which is consistent with market practice.

C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(24) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

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

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

Critical accounting estimates and assumptions

(1) Evaluation of accounts receivable

When there is objective evidence showing signs of impairment, the Company considers future cash flow estimates. The amount of the impairment loss is measured by the difference between the carrying amount of the asset and the estimated future cash flow at the original effective interest rate of the financial asset. If the actual cash flow is less than expected, there may be significant impairment losses.

(2) Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	$ 75	$ 60
Checking accounts and demand deposits	224,400	205,282
Time deposits	58,742	259,053
	$ 283,217	$ 464,395

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

B. The Company has no cash and cash equivalents pledged to others.

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

Items	December 31, 2020	December 31, 2019
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	$ 34,761	$ 34,761
Valuation adjustment	4,507	(4,209)
	$ 39,268	$ 30,552

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Years ended December 31,	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	$ 8,716	$ 9,546

B. As of December 31, 2020 and 2019, the Company has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3)<u>Notes and accounts receivable</u>

	December 31, 2020	December 31, 2019
Notes receivable	$ 59	$ -
Accounts receivable	$ 33,457	$ 32,541
Less: Allowance for uncollectible accounts	(1,601)	(1,101)
	$ 31,856	$ 31,440

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2020		December 31, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 32,753	$ 59	$ 31,144	$ -
Up to 30 days	704	-	1,396	-
31 to 90 days	-	-	1	-
	$ 33,457	$ 59	$ 32,541	$ -

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to $40,058.

C. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4)<u>Inventories</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Work in progress	$ 15,606	($ 6,795)	$ 8,811
Finished goods	21,859	(7,176)	14,683
	$ 37,465	($ 13,971)	$ 23,494

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Work in progress	$ 14,829	($ 6,809)	$ 8,020
Finished goods	23,983	(7,162)	16,821
	$ 38,812	($ 13,971)	$ 24,841

The cost of the inventories recognised as expense for the period:

	Years ended December 31,	
	2020	2019
Cost of goods sold	$ 70,625	$ 74,576

(5)Investments accounted for using equity method

		December 31, 2020		December 31, 2019
Davicom Investment Inc.	$	210,160	$	212,029
TSCC Inc.		92,473		95,835
Medicom Corp.		44,804		330
Aidialink Corp.		78,164		8,583
	$	425,601	$	316,777

A. The investment (losses) gains recognised by the Company for the years ended December 31, 2020 and 2019 using the equity method are ($2,402) and $12,462 respectively, which were recognised based on the investees' financial statements audited by independent auditors in the same periods.

B. For information relating to the subsidiaries of the Company, please refer to Note 4(3) of the 2020 consolidated financial statements of the Company.

(6)Property, plant and equipment

	2020				
	Buildings	Computer communications equipment	Construction in progress	Others	Total
At January 1					
Cost	$ 169,884	$ 857	$ 41,939	$ 679	$ 213,359
Accumulated depreciation	(52,443)	(358)	-	(416)	(53,217)
	$ 117,441	$ 499	$ 41,939	$ 263	$ 160,142
Opening net book amount as at January 1	$ 117,441	$ 499	$ 41,939	$ 263	$ 160,142
Additions	85	239	10,485	140	10,949
Reclassifications	(639)	-	-	-	(639)
Depreciation charge	(3,314)	(249)	-	(151)	(3,714)
Closing net book amount as at December 31	$ 113,573	$ 489	$ 52,424	$ 252	$ 166,738
At December 31					
Cost	$ 169,044	$ 1,096	$ 52,424	$ 570	$ 223,134
Accumulated depreciation	(55,471)	(607)	-	(318)	(56,396)
	$ 113,573	$ 489	$ 52,424	$ 252	$ 166,738

	2019				
	Buildings	Computer communications equipment	Construction in progress	Others	Total
At January 1					
Cost	$ 170,034	$ 708	$ -	$ 735	$ 171,477
Accumulated depreciation	(49,249)	(275)	-	(320)	(49,844)
	$ 120,785	$ 433	$ -	$ 415	$ 121,633
Opening net book amount as at January 1	$ 120,785	$ 433	$ -	$ 415	$ 121,633
Additions	-	239	41,939	24	42,202
Depreciation charge	(3,344)	(173)	-	(176)	(3,693)
Closing net book amount as at December 31	$ 117,441	$ 499	$ 41,939	$ 263	$ 160,142
At Deember 31					
Cost	$ 169,884	$ 857	$ 41,939	$ 679	$ 213,359
Accumulated depreciation	(52,443)	(358)	-	(416)	(53,217)
	$ 117,441	$ 499	$ 41,939	$ 263	$ 160,142

(7)Leasing arrangements－lessee

A. The Company leases various assets including land. Rental contracts are typically made for periods for 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land	$ 61,941	$ 63,750

	Years ended December 31,	
	2020	2019
	Depreciation charge	Depreciation charge
Land	$ 1,809	$ 1,809

C. The information on profit and loss accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2020	2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 602	$ 616
Expense on short-term lease contracts	$ 83	$ 189
Expense on leases of low-value assets	$ 97	$ 100

D. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases was $2,319 and $2,427, respectively.

(8)Leasing arrangements – lessor

A. The Company leases various assets including buildings. Rental contracts are typically made for periods of 1 and 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the years ended December 31, 2020 and 2019, the Company recognised rent income in the amounts of $24,865 and $18,065, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. Gain arising from operating lease agreements for the years ended December 31, 2020 and 2019 are as follows:

	Years ended December 31,	
	2020	2019
Rent income	$ 24,865	$ 18,065

D. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2020	December 31, 2019
2020	$ -	$ 23,630
2021	24,188	17,545
2022	8,823	1,443
2023	5,719	-
	$ 38,730	$ 42,618

(Following blank)

(9)Investment property

Building

	Years ended December 31, 2020	Years ended December 31, 2019
At January 1		
Cost	$ 148,907	$ 148,907
Accumulated depreciation	(45,967)	(43,047)
	$ 102,940	$ 105,860

	2020	2019
Opening net book amount as at January 1	$ 102,940	$ 105,860
Additions	75	-
Reclassifications	639	-
Depreciation charge	(2,938)	(2,920)
Closing net book amount as at December 31	$ 100,716	$ 102,940

	2020	2019
At December 31		
Cost	$ 149,907	$ 148,907
Accumulated depreciation	(49,191)	(45,967)
	$ 100,716	$ 102,940

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Years ended December 31, 2020	Years ended December 31, 2019
Rental income from investment property	$ 24,865	$ 18,065
Direct operating expenses arising from the investment property that generated rental income during the period	($ 4,962)	($ 4,583)

B. The fair value of the investment property held by the Group as at December 31, 2020 and 2019 was $151,749 and $150,720, respectively, which was valued by independent valuers. Valuations were made using the cost approach and income approach for each approach which is categorised within Level 3 in the fair value hierarchy. Key assumptions are as follows:

	Overall capital interest rate	Ratio of salvage value
Cost approach	1.605%~1.835%	5.00%

	Capitalisation rate
Income approach	8.3%~8.35%

(10)Other non-current assets

	December 31, 2020	December 31, 2019
Deferred charges	$ 10,263	$ 12,365
Guarantee deposits paid	102	174
Restricted assets	2,752	2,752
	$ 13,117	$ 15,291

(11)Others payables

	December 31, 2020	December 31, 2019
Wages and bonus payable	$ 18,708	$ 20,290
Processing fees payable	2,761	2,966
Others	4,174	5,304
	$ 25,643	$ 28,560

(12)Other non-current liabilities

	December 31, 2020	December 31, 2019
Net defined benefit liability	$ 13,989	$ 14,107
Guarantee deposits received	3,395	3,303
	$ 17,384	$ 17,410

(13)Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	($ 36,276)	($ 39,619)
Fair value of plan assets	22,287	25,512
Net defined benefit liability	($ 13,989)	($ 14,107)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2020			
Balance at January 1	($ 39,619)	$ 25,512	($ 14,107)
Current service cost	(101)	-	(101)
Interest (expense) income	(277)	179	(98)
	(39,997)	25,691	(14,306)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	844	844
Change in financial assumptions	(289)	-	(289)
Experience adjustments	(262)	-	(262)
	(551)	844	293
Pension fund contribution	-	24	24
Paid pension	4,272	(4,272)	-
Balance at December 31	($ 36,276)	$ 22,287	($ 13,989)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	($ 38,769)	$ 24,382	($ 14,387)
Current service cost	(101)	-	(101)
Interest (expense) income	(271)	170	(101)
	(39,141)	24,552	(14,589)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	936	936
Experience adjustments	(478)	-	(478)
	(478)	936	458
Pension fund contribution	-	24	24
Balance at December 31	($ 39,619)	$ 25,512	($ 14,107)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2020	2019
Discount rate	0.50%	0.70%
Future salary increases	2.00%	2.00%

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

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

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
December 31, 2020				
Effect on present value of defined benefit obligation	($ 714)	$ 741	$ 636	($ 619)
December 31, 2019				
Effect on present value of defined benefit obligation	($ 832)	$ 865	$ 751	($ 730)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2021 amount to $171.

(g) As of December 31, 2020, the weighted average duration of the retirement plan is 2 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	($	24,095)
1-5 year(s)	(	10,741)
Over 5 years	(	1,440)
	($	36,276)

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the company for the years ended December 31, 2020 and 2019, were both $4,374.

(14)Share-based payment

A. For the years ended December 31, 2020 and 2019, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	2017.09.29	1,400 (share in thousands)	3 years	1~3 years' service

B. The Board of Directors at their meeting on May 26, 2017 adopted a resolution to issue employee restricted ordinary shares for 2,000 thousand shares and granted 1,400 thousand shares on September 29, 2017. The record date for the capital increase through issuance of employee restricted ordinary shares was set on October 2, 2017 and the subscription price is $10 (in dollars) per share. From the day of grant, percentage of vesting are 20%, 30%, and 50%, respectively, in sequence from 1 to 3 years.

C. For the years ended December 31, 2020 and 2019, the compensation fees arising from restricted stocks to employees is $1,938 and $4,983, respectively.

(15)Share capital

A. As of December 31, 2020, the Company's authorized capital was $1,200,000, consisting of 120,000 thousand shares of ordinary stock (including 18,000 thousand shares reserved for employee stock options and 400 thousand shares reserved for convertible bonds issued by the Company), and the paid-in capital was $846,551 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2020	2019
At January 1	84,655	84,655
Retirement of restricted stock	(23)	-
At December 31	84,632	84,655

B. The Board of Directors at their meeting on May 26, 2017 adopted a resolution to issue employee restricted ordinary shares for 2,000 thousand shares with the effective date set on August 8, 2017, granted 1,400 thousand shares on September 29, 2017 and the subscription price is $10 (in dollars) per share. The record date for capital increase of employee restricted ordinary shares was set on October 2, 2017. As at December 31, 2020, the receipts for share capital was $14,000 and the capital surplus was $17,850.

C. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2020	
Name of company holding the shares	Reason for reacquisition	Number of shares (share in thousand)	Carrying amount
The Company	To be reissued to employees	2,915	$ 50,851

		December 31, 2019	
Name of company holding the shares	Reason for reacquisition	Number of shares (share in thousand)	Carrying amount
The Company	To be reissued to employees	1,515	$ 28,115

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

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

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

(16)Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. On June 10, 2020 and June 12, 2019, the distribution of cash dividends from capital surplus was approved by the shareholders and amounted to $29,099 and $33,256, respectively. On February 26, 2021, the Board of Directors proposed the distribution of cash of $35,138 from capital surplus.

(17)Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings shall first be used to pay all taxes and offset prior years' operating losses and 10% of the remaining amount shall be set aside as legal reserve, then set aside or reverse special reserve in accordance with related regulations. The appropriation of the remainder along with the earnings in prior years shall be proposed by the Board of Directors and resolved at the stockholders' meeting. The Company shall appropriate all the current distributable earnings, taking into consideration the Company's financials, business and operations. Dividends to shareholders can be distributed in the form of cash or shares and cash dividends to shareholders shall account for at least 30% of the total dividends to shareholders.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriation of 2019 and 2018 earnings was resolved by the shareholders on June 10, 2020 and June 12, 2019, respectively. Details are as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 4,176		$ 3,844	
Cash dividends	38,244	$ 0.46	33,256	$ 0.40

On June 10, 2020 and June 12, 2019, the distribution of cash dividends from capital surplus was approved by the shareholders and amounted to $29,099 and $33,256, respectively. The abovementioned appropriation of earnings of 2019 and 2018 was in agreement with those amounts proposed by the Board of Directors on February 27, 2020 and March 11, 2019, respectively.

E. The details of the appropriation of 2020 earnings was proposed by the Board of Directors on February 26, 2021. Details are follows:

	Year ended December 31, 2020	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 3,369	
Cash dividends	30,235	$ 0.37

On February 26, 2021, the Board of Directors proposed the distribution of cash of $35,138 from capital surplus. Abovementioned appropriation of earnings and distribution of cash from capital surplus has not been resolved by the shareholders.

(18)Operating revenue

	Years ended December 31,	
	2020	2019
Revenue from contracts with customers	$ 225,872	$ 232,706

Disaggregation of revenue from contracts with customers

The Company derives revenue at a point in time in the following geographical regions:

	Years ended December 31,	
	2020	2019
China	$ 162,575	$ 160,470
Taiwan	26,631	30,374
USA	2,626	4,760
Others	34,040	37,102
	$ 225,872	$ 232,706

(19)Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	$ 1,017	$ 2,398
Other interest income	33	28
	$ 1,050	$ 2,426

(20)Other income

	Years ended December 31,	
	2020	2019
Rent income	$ 24,865	$ 18,065
Other income, others	1,094	1,472
	$ 25,959	$ 19,537

(21)Other gains and losses

	Years ended December 31,	
	2020	2019
Net currency exchange loss	($ 11,932)	($ 5,671)
Net profit on financial asssets at fair value through profit or loss	8,716	9,546
Other losses	(4,963)	(4,583)
	($ 8,179)	($ 708)

(22)Finance costs

	Years ended December 31,	
	2020	2019
Interest expense	$ 636	$ 645

(23)Expenses by nature

	Years ended December 31,	
	2020	2019
Change in finished goods, work-in-process and raw materials inventory	$ 33,340	$ 34,122
Employee benefit expense	103,157	113,185
Product testing fees	20,288	22,488
Amortisation charges	3,179	3,644
Depreciation charges on property, plant and equipment (including right-of-use assets)	5,523	5,502
Other costs and expenses	38,600	41,645
Operating costs and expenses	$ 204,087	$ 220,586

(24)Employee benefit expense

	Years ended December 31,	
	2020	2019
Wages and salaries	$ 86,451	$ 96,250
Labour and health insurance fees	7,378	7,520
Pension costs	4,573	4,576
Directors' remuneration	1,845	1,807
Other personnel expenses	2,910	3,032
	$ 103,157	$ 113,185

As of December 31, 2020 and 2019, the number of employees of the Company were both 77 and the number of directors who were not concurrently employees were both 2.

For the years ended December 31, 2020 and 2019, average employee benefits were $1,420 and $1,485, respectively; average employee salary were $1,222 and $1,283, respectively. The average employee salary decreased by (4.75%) year over year.

A. According to the Articles of Incorporation of the Company, a ratio of gain on current pre-tax profit before deduction of employees' compensation and directors' remuneration, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 8.5% for employees' compensation and shall not be higher than 2% for directors' remuneration. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. Directors' remuneration shall be distributed in cash. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive employees' compensation in the form of stock or cash are set by the Board of Directors.

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at $3,569 and $4,308, respectively; directors' and supervisors' remuneration was accrued at $838 and $1,010, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 8.5% and 2% of distributable profit of current year as of the end of reporting period. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were $3,569 and $838, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2019 as resolved by the meeting of the Board of Directors were in agreement with those amounts recognised in the 2019 financial statements.

Information about employees' bonus and directors' and supervisors' remuneration of the Company as approved by the meeting of Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25)Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2020	Years ended December 31, 2019
Current tax:		
Current tax on profits for the year	$ 4,321	$ 4,450
Additional income tax imposed on unappropriated earnings	-	36
Prior year income tax underestimation	413	534
Total current tax	4,734	5,020
Deferred tax:		
Origination and reversal of temporary differences	(610)	(1,224)
Income tax expense	$ 4,124	$ 3,796

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

	Years ended December 31, 2020	Years ended December 31, 2019
Remeasurement of defined benefit obligations	($ 59)	($ 92)

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2020	Years ended December 31, 2019
Tax calculated based on profit before tax and statutory tax rate	$ 7,515	$ 9,087
Effect from items disallowed by tax regulation	(2,007)	(874)
Effect from temporary difference	(199)	(3,200)
Effect from tax credits of investment	(1,598)	(1,787)
Additional tax on undistributed earnings	-	36
Prior year income tax underestimation	413	534
Income tax expense	$ 4,124	$ 3,796

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

Year ended December 31, 2020	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
–Temporary differences:				
Inventory retirement losses	$ 814	$ -	$ -	$ 814
Loss for market value decline and obsolete and slow-moving inventories	2,794	-	-	2,794
Unrealised exchange loss	1,030	519	-	1,549
Unused compensated absences	1,375	56	-	1,431
Other	2,580	35	(59)	2,556
Subtotal	$ 8,593	$ 610	($ 59)	$ 9,144
Deferred tax liabilities:				
–Temporary differences:				
Currency temporary differences	($ 512)	$ -	$ -	($ 512)
Subtotal	($ 512)	$ -	$ -	($ 512)
Total	$ 8,081	$ 610	($ 59)	$ 8,632

	Year ended December 31, 2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
–Temporary differences:				
Inventory retirement losses	$ 814	$ -	$ -	$ 814
Loss for market value decline and obsolete and slow-moving inventories	2,794	-	-	2,794
Unrealised exchange loss	-	1,030	-	1,030
Unused compensated absences	1,252	123	-	1,375
Other	2,661	11	(92)	2,580
Subtotal	$ 7,521	$ 1,164	($ 92)	$ 8,593
Deferred tax liabilities:				
–Temporary differences:				
Currency temporary differences	($ 603)	$ 91	$ -	($ 512)
Unrealised exchange loss	31	(31)	-	-
Subtotal	($ 572)	$ 60	$ -	($ 512)
Total	$ 6,949	$ 1,224	($ 92)	$ 8,081

D. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(26)Earnings per share

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 33,453	82,032	$ 0.41
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 33,453	82,032	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	178	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 33,453	82,210	$ 0.41

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 41,396	83,190	$ 0.50
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 41,396	83,190	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	488	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 41,396	83,678	$ 0.49

(27) Changes in liabilities from financing activities

Year ended December 31, 2020	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	$ 64,037	$ 3,303	$ 67,340
Changes in cash flow from financing activities	(1,537)	92	(1,445)
At December 31	$ 62,500	$ 3,395	$ 65,895

Year ended December 31, 2019	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	$ 65,559	$ 2,930	$ 68,489
Changes in cash flow from financing activities	(1,522)	373	(1,149)
At December 31	$ 64,037	$ 3,303	$ 67,340

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Aidialink Corp.	Subsidiary

(2) Significant related party transactions

A. Receivables from related parties:

	December 31, 2020	December 31, 2019
Other receivables:		
Aidialink Corp.	$ 567	$ -

B. Other revenue:

	Years ended December 31, 2020	Years ended December 31, 2019
Management consulting (shown as other non-current assets)		
Aidialink Corp.	$ 540	$ 540

(3) Key management compensation

	Years ended December 31, 2020	Years ended December 31, 2019
Salaries and other short-term employee benefits	$ 10,259	$ 10,108

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value December 31, 2020	Book value December 31, 2019	Purpose
Time deposits (shown as other non-current assets)	$ 2,752	$ 2,752	Performance guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHER

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(Following blank)

(2) Financial instruments

A. Financial instruments by category

	December 31, 2020		December 31, 2019	
Financial assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	$	39,268	$	30,552
Financial assets at amortised cost				
Cash and cash equivalents	$	283,217	$	464,395
Notes receivable		59		-
Accounts receivable		31,856		31,440
Other receivables		170		4,773
Guarantee deposits paid		102		174
Other financial assets		2,752		2,752
	$	318,156	$	503,534
Financial liabilities				
Financial liabilities at amortised cost				
Notes payable	$	2,223	$	5,944
Accounts payable		4,850		4,856
Other accounts payable		25,643		28,560
Guarantee deposits received		3,395		3,303
	$	36,111	$	42,663
Lease liability	$	62,500	$	64,037

B. Financial risk management policies

(a) The Company’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company’s operating units. The management provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other compreherensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 10,421	28.480	$ 296,790	1%	$ 2,968	$ -
RMB:NTD	14	4.377	$ 61	1%	1	-
Investments accounted for using equity method						
USD:NTD	$ 3,247	28.480	$ 92,473	1%	$ -	$ 925
Financial liabilities						
Monetary items						
USD:NTD	$ 170	28.480	$ 4,842	1%	$ 48	$ -

	December 31, 2019					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other compreherensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 7,560	29.98	$ 226,649	1%	$ 2,266	$ -
RMB:NTD	2,073	4.31	8,935	1%	89	-
Investments accounted for using equity method						
USD:NTD	$ 3,197	29.98	$ 95,835	1%	$ -	$ 958
Financial liabilities						
Monetary items						
USD:NTD	$ 152	29.98	$ 4,557	1%	$ 46	$ -

ii. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019, amounted to ($11,932) and ($5,671), respectively.

Price risk

i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

ii. The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, for the years ended December 31, 2020 and 2019, other components of equity would have increased/decreased by $393 and $306, respectively.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Company manages their credit risk taking into consideration the entire company's concern. For banks and financial institutions, only independent rated parties with a minimum rating are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external rating in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

iv. The Company classifies customers' accounts receivable in accordance with credit rating of customer. The Company applies the simplified approach to estimate expected credit loss under the provision matrix basis.

v. The Company used the forecast ability of Taiwan Institute of Economic Research report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2020 and 2019, the provision matrix, loss rate methodology is as follows:

	Group A	Group B	Total
December 31, 2020			
Expected loss rate	0.03%	4.09%~4.14%	
Total book value	$ 23,730	$ 9,727	$ 33,457
Loss allowance	$ 7	$ 1,594	$ 1,601

	Group A	Group B	Total
December 31, 2019			
Expected loss rate	0.03%	3.63%~83.86%	
Total book value	$ 22,200	$ 10,341	$ 32,541
Loss allowance	$ 7	$ 1,094	$ 1,101

vi. Movement in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable is as follows:

	Years ended December 31,	
	2020	2019
At January 1	$ 1,101	$ 1,201
Provision for impairment	500	-
Reversal of impairment loss	-	(100)
At December 31	$ 1,601	$ 1,101

According to the above method, the allowance loss on the accounts receivable as of December 31, 2020 and 2019, should be $410 and $601, respectively, which is not significantly different from the amount of allowance loss on the current account. For the years ended December 31, 2020 and 2019, there was no impairment loss arising from customers' contracts.

(c) Liquidity risk

i. Cash flow forecasting is performed by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

ii. Surplus cash held by the operating entities over and above balance required for working capital management will be invested in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The table below analyses the Company's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2020				
Lease liability	$ 2,138	$ 2,138	$ 6,415	$ 62,550
Other financial liabilities (shown as other non-current liabilities)	1,583	900	912	-

Non-derivative financial liabilities:	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2019				
Lease liability	$ 2,138	$ 2,138	$ 6,415	64,689
Other financial liabilities (shown as other non-current liabilities)	$ 838	$ 48	$ 2,417	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company’s investment in listed stocks and emerging stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company’s investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

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

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ -	$ -	$ 39,268	$ 39,268

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ -	$ -	$ 30,552	$ 30,552

(b)The methods and assumptions the Company used to measure fair value are as follows:

i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Emerging stocks
Market quoted price	Closing price	Last transaction price

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

iv.The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

D. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	Years ended December 31, 2020 Non-derivative equity instrument	Years ended December 31, 2019 Non-derivative equity instrument
At January 1	$ 30,552	$ 27,088
Gains and losses recognised in profit or loss		
Recorded as non-operating income and expenses	8,716	3,464
At December 31	$ 39,268	$ 30,552

F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

G. Finance department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 39,268	Net asset value	Not applicable	-	Not applicable

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 30,552	Net asset value	Not applicable	-	Not applicable

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 2.

(3) Major shareholders information

Major shareholders information: Please refer to table 3.

14. SEGMENT INFORMATION

Not application.

(Following blank)

DAVICOM SEMICONDUCTOR , INC.
CASH
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 1

Items	Summary	Amount	Footnote
Petty cash		$ 75	
Cash in banks			
Checking accounts		1,755	
Demend deposits		14,681	
Foreign currency deposits	USD $ 7,299.98	207,904	Exchange rate 28.48
	CHY $ 13.79	60	Exchange rate 4.377
Time deposits		58,742	
		$ 283,217	

DAVICOM SEMICONDUCTOR , INC.
ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 2

A	Summary	Amount	Footnote
A		$ 9,438	
C		9,096	
B		9,002	
E		2,250	The balance of each client
Others		3,671	is less than 5% of this account.
		33,457	
Less: Allowance for uncollectible accounts		(1,601)	
		$ 31,856	

DAVICOM SEMICONDUCTOR , INC.
INVENTORIES
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 3

Items	Summary	Amount: Cost	Amount: Value	Footnote
Work in process		$ 15,606	$ 12,982	The net realizable value of work in process and finished is the market price.
Finished goods		21,859	17,301	
		37,465	$ 30,283	
Less: Allowance for valuation loss and obsolescence		(13,971)		
		$ 23,494		

DAVICOM SEMICONDUCTOR , INC.
SALES REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 4

Items	Quantity	Amount	Footnote
Sales revenue			
Network control chipset	6,250,355 PCS	$ 203,783	
Electronic paper	953,716 PCS	7,540	
Video Decoder	306,910 PCS	13,833	
Data processor chipset	4,800 PCS	498	
Others	3,630 PCS	218	
		$ 225,872	

DAVICOM SEMICONDUCTOR , INC.
OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 5

Items	Amount
Purchase in this period	$ 30,771
Less: Engineering experiment pick up	(1,244)
Raw materials used in this period	29,527
Manufacturing expense	37,286
Manufacturing cost	66,813
Add: Beginning work in process	14,829
Engineering experiment pick up return	1
Less: Ending work in progress	(15,606)
Cost of finished goods	66,037
Add: Beginning finished goods	23,983
Purchase in this period	2,562
Less: Ending finished goods	(21,859)
Engineering experiment pick up	(98)
Operating cost	$ 70,625

DAVICOM SEMICONDUCTOR , INC.
OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 6

Item	Amount
Selling expenses	
Salary expenditure	$ 15,367
Insurance expenses	1,520
Other expenses	6,824
Subtotal	23,711
General & administrative expenses	
Salary expenditure	21,366
Miscellaneous expenses	3,639
Labor expenses	2,845
Other expenses	13,912
Subtotal	41,762
Research and development expenses	
Salary expenditure	45,569
Research experiment fees	4,823
Insurance expenses	3,918
Other expenses	13,179
Subtotal	67,489
Impairment on expected credit profit	500
	$ 133,462

DAVICOM SEMICONDUCTOR , INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTIZATION EXPENSES BY FUNCTION
YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

Detail List 7

Function / Nature	Year ended December 31, 2020			Year ended December 31, 2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	$ 5,993	$ 80,458	$ 86,451	$ 6,484	$ 89,766	$ 96,250
Labour and health insurance fees	573	6,805	7,378	604	6,916	7,520
Pension costs	336	4,237	4,573	349	4,227	4,576
Directors' remuneration	-	1,845	1,845	-	1,807	1,807
Other personnel expenses	227	2,683	2,910	256	2,776	3,032
Depreciation Expense	410	5,113	5,523	445	5,057	5,502
Amortisation Expense	898	2,281	3,179	458	3,186	3,644

Note:

1. As of December 31, 2020 and 2019, the number of employees of the Company were both 77 and the number of directors who were not concurrently employees were both 2.

2.A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information：

(1) For the years ended December 31, 2020 and 2019, average employee benefits were $1,420 and $1,485, respectively.

(2) For the years ended December 31, 2020 and 2019, average employee salary were $1,222 and $1,283, respectively.

(3) The average employee salary decreased by (4.75%) year over year.

3.Please disclose the company's remuneration policy (including directors, individual directors, managerial officers and employees).

(1) Directors and Independent Director's remuneration policies, procedures, standards and structure, as well as the linkage to resposibilities, risk and time spent:

A. According to the standard of payment on attendance and transportation by board of directors, directors' remuneration were paid on normal level.

DAVICOM SEMICONDUCTOR , INC.

SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTIZATION EXPENSES BY FUNCTION (Cont.)

YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

Detail List 7

B. According to the Articles 28 of Incorporation of the Company, the Board of Directors is authorised to determine a ratio of gain on current pre-tax profit before deduction of employees' compensation and directors' remuneration, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 8.5% for employees' compensation and shall not be higher than 2% for directors' remuneration.

(2) Managerial officers' remuneration policies, procedures, standards and structure, as well as the linkage to resposibilities, risk and time spent:

A. The total compensation paid to the executive officers is decided based on their job responsibility, contribution, and company performance. It is reviewed by the Compensation Committee then submitted to the Board of Directors for approval.

B. According to the Articles 28 of Incorporation of the Company, the Board of Directors is authorised to determine a ratio of gain on current pre-tax profit before deduction of employees' compensation and directors' remuneration, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 8.5% for employees' compensation and shall not be higher than 2% for directors' remuneration.

(3) Employees' remuneration policies, procedures, standards and structure, as well as the linkage to resposibilities, risk and time spent:

A. The compensation policy of employees have a positive correlation with contribution for company, personal performance, and operating performance.
And the Company has controled to future risk appropriately, so compensation policy was also related to future risks to a certain degree.
Salary compensations were composed of three parts: basic wages, bonus and employee compensation, benefit.
The payment standard for basic wages is based on company policy and market competition about his/her position.
For bonus and employee compensation are based on company operating performance and targets completed by employees or departments.
And for employee benefits, prior to compliance with laws and regulations, are based on integrated needs of employees to create excellent benefits.

B. According to the Articles 28 of Incorporation of the Company, the Board of Directors is authorised to determine a ratio of gain on current pre-tax profit before deduction of employees' compensation and directors' remuneration, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 8.5% for employees' compensation and shall not be higher than 2% for directors' remuneration.

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

DAVICOM Semiconductor, Inc.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2020, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Company name: DAVICOM SEMICONDUCTOR, INC.

Representative: HAO, TING

February 26, 2021

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of DAVICOM Semiconductor, Inc.

Opinion

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

In our opinion, based on our audits and the reports of other auditors (please refer to Other matter section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The Group's key audit matters are as follows:

Evaluation of accounts receivable

Description

Please refer to Note 4(8) for accounting policies on accounts receivable recognition and accounts receivable valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to impairment of accounts receivable, Note 6(3) for details of accounts receivable. The balance of accounts receivable amounted to NT$32,612 thousand as at December 31, 2020.

The Group's accounts receivable arises from selling goods, and collecting in accordance with credit period which is determined by the Credit Quality Control Policy of individual customers' credit quality.

Allowance for uncollectible accounts are based on expected credit losses during its existing period. For the purpose of measurement, underlying receivable should be grouped appropriately and the assumptions should be judged and analyzed. The aging of intervals, expected loss ratio and forward-looking information usually include subjective judgement, therefore, we determined the valuation of accounts receivable as one of the key areas of focus for this year's audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Checked and tested the assumptions of expected credit losses and assessed the reasonableness of the aging of intervals, including objective evidences used to determine the accuracy of periods and credit terms. Verified whether there are long overdue unrecoverable accounts receivable on the list to assess the adequacy of allowance for uncollectible accounts.
2. Checked and tested accounts receivable aging schedule which is classified based on customer types, based on subsequent collections, and discussed with management for its assessment of recoverability of past due receivables.

Evaluation of inventories

Description

Please refer to Note 4(11) for accounting policy on inventory valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to inventory valuation, Note 6(4) for details of inventory. The balance of inventory and allowance for inventory valuation losses amounted to NT$25,324 thousand and NT$13,971 thousand as at December 31, 2020, respectively.

The Group is engaged in research, development, production, manufacturing and sales of local area network chipset. Due to rapid changes in technology, the life cycle of products is short and easily affected by market prices, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group measures inventory for normal sales at the lower of cost or net realisable value method. For inventory aging over certain period, individual inventory valuation losses and obsolete inventory, provision for loss is made through individual identification and measured at net realizable value. As a result of the significant amount, numerous items, and since identifying obsolete and damaged inventory usually involves management judgement, it also belongs to one of the audit scopes involving professional judgement. Therefore, we determined the estimate of inventory valuation losses as one of the key areas of focus for this year's audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the business, industry, products and inventory aging to assess the provision policy of allowance for inventory valuation losses, verifying whether the related accounting policies are consistent with the last period, and evaluating whether the provision policy is reasonable.
2. Obtained inventory aging report from management, analyse and compare the different reasons for loss due to market value decline and obsolete and slow-moving inventories to assess the appropriateness of loss for market value decline and obsolete and slow-moving inventory policy.
3. For summary statement that management uses to valuate loss for market value decline and obsolete and slow-moving inventories, confirming whether it agrees with the statement details generated from system, and verifying that obsolete and slow-moving inventories which were provided valuation losses, has been completely listed in the statement.
4. Tested book value of ending inventory, through selecting samples and obtaining invoices of last period to verify whether they were measured at the lower of cost or net realizable value method, and recalculating and valuating the reasonableness of changes in allowance for inventory valuation losses.
5. Participating and observing the year-end physical inventory count to verify the existence and completeness of inventory, and checking the condition of inventory to assess the appropriateness of allowance for inventory valuation losses of obsolete and slow-moving inventories.

Other matters

Reference to report of the other auditors

We did not audit the financial statements of a wholly-owned consolidated subsidiary that are included in the financial statements. Total assets of the subsidiary amounted to NT$334,257 thousand and NT$226,120 thousand as at December 31, 2020 and 2019, constituting 28.81% and 18.31% of consolidated total assets, respectively. Operating income of the subsidiary amounted to NT$7,669 thousand and NT$9,810 thousand, for the years ended December 31, 2020 and 2019, constituting 3.28% and 4.04% of consolidated total operating income, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors

Parent company only financial reports

We have audited and expressed an unqualified opinion including an Other Matter paragraph on the parent company only financial statements of DAVICOM Semiconductor, Inc. as at and for the years ended December 31, 2020 and 2019.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal controls as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. 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.

Se-Kai Lin Hsien-Cheng Chen

For and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2021

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 680,171	59	$ 752,567	61
1150	Notes receivable, net	6(3)	59	-	-	-
1170	Accounts receivable, net	6(3)	32,612	3	32,321	3
1200	Other receivables		499	-	5,490	-
130X	Inventories, net	6(4)	25,324	2	27,524	2
1410	Prepayments		4,237	-	5,851	1
1470	Other current assets		54	-	-	-
11XX	**Total Current Assets**		742,956	64	823,753	67
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(2)	65,704	6	59,494	5
1600	Property, plant and equipment, net	6(5)	166,738	14	160,982	13
1755	Right-of-use assets	6(6)	61,941	5	63,750	5
1760	Investment property, net	6(8)	100,716	9	102,940	8
1780	Intangible assets		91	-	84	-
1840	Deferred income tax assets	6(24)	9,144	1	8,594	1
1900	Other non-current assets	6(9)	13,117	1	15,292	1
15XX	**Total Non-current Assets**		417,451	36	411,136	33
1XXX	**Total assets**		$ 1,160,407	100	$ 1,234,889	100

(Continued)

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Current liabilities					
2130	Current contract liabilities		$ 94	-	$ 57	-
2150	Notes payable		2,223	-	5,944	1
2170	Accounts payable		4,892	1	7,421	1
2200	Other payables	6(10)	26,155	2	28,962	2
2230	Current income tax liabilities	6(24)	775	-	2,266	-
2280	Current lease liabilities	12(2)	1,552	-	1,537	-
2300	Other current liabilities		2,086	-	2,811	-
21XX	**Current Liabilities**		37,777	3	48,998	4
	Non-current liabilities					
2570	Deferred income tax liabilities	6(24)	512	-	513	-
2580	Non-current lease liabilities	12(2)	60,948	5	62,500	5
2600	Other non-current liabilities	6(11)	17,384	2	17,410	1
25XX	**Non-current liabilities**		78,844	7	80,423	6
2XXX	**Total Liabilities**		116,621	10	129,421	10
	Equity attributable to owners of parent					
	Share capital	6(14)				
3110	Common stock		846,321	73	846,551	69
	Capital surplus	6(15)				
3200	Capital surplus		157,128	13	186,520	15
	Retained earnings	6(16)				
3310	Legal reserve		78,569	7	74,393	6
3350	Undistributed earnings		32,727	3	42,491	3
	Other equity interest					
3400	Other equity interest		(20,108)	(2)	(17,490)	(1)
	Treasury shares	6(14)				
3500	Treasury shares		(50,851)	(4)	(28,115)	(2)
31XX	**Equity attributable to owners of the parent**		1,043,786	90	1,104,350	90
36XX	Non-controlling interest		-	-	1,118	-
3XXX	**Total equity**		1,043,786	90	1,105,468	90
3X2X	**Total liabilities and equity**		$ 1,160,407	100	$ 1,234,889	100

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

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2020 AMOUNT	2020 %	2019 AMOUNT	2019 %
4000	Sales revenue	6(17)	$ 233,542	100	$ 242,531	100
5000	Operating costs	6(4)(22)(23)	(76,765)	(33)	(81,482)	(34)
5900	Net operating margin		156,777	67	161,049	66
	Operating expenses	6(22)(23)				
6100	Selling expenses		(25,810)	(11)	(31,637)	(13)
6200	General and administrative expenses		(42,746)	(18)	(42,350)	(17)
6300	Research and development expenses		(67,488)	(29)	(76,976)	(32)
6450	Impairment on expected credit losses	6(3) and 12(2)	(500)	-	100	-
6000	Total operating expenses		(136,544)	(58)	(150,863)	(62)
6900	Operating income		20,233	9	10,186	4
	Non-operating income and expenses					
7100	Interest income	6(18)	2,671	1	4,781	2
7010	Other income	6(19)	26,206	11	19,033	8
7020	Other gains and losses	6(20)	(10,914)	(5)	11,920	5
7050	Finance costs	6(21)	(636)	-	(645)	-
7000	Total non-operating income and expenses		17,327	7	35,089	15
7900	**Income from continuing operations before income tax**		37,560	16	45,275	19
7950	Income tax expense	6(24)	(4,124)	(2)	(3,842)	(2)
8000	**Profit for the year from continuing operations**		33,436	14	41,433	17
8200	**Profit for the year**		$ 33,436	14	$ 41,433	17

(Continued)

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Year ended December 31 2020 AMOUNT	2020 %	2019 AMOUNT	2019 %
	Other comprehensive income					
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans		$ 293	-	$ 458	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	(59)	-	(92)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		234	-	366	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations		(4,849)	(2)	(13,496)	(5)
8360	Components of other comprehensive income that will be reclassified to profit or loss		(4,849)	(2)	(13,496)	(5)
8300	**Total other comprehensive loss for the year**		($ 4,615)	(2)	($ 13,130)	(5)
8500	**Total comprehensive income for the year**		$ 28,821	12	$ 28,303	12
	Profit (loss), attributable to:					
8610	Owners of parent		$ 33,453	14	$ 41,396	17
8620	Non-controlling interest		(17)	-	37	-
			$ 33,436	14	$ 41,433	17
	Comprehensive income (loss), attributable to:					
8710	Owners of parent		$ 28,838	12	$ 28,266	12
8720	Non-controlling interest		(17)	-	37	-
			$ 28,821	12	$ 28,303	12
	Basic earnings per share	6(25)				
9750	Net income		$	0.41	$	0.50
	Diluted earnings per share	6(25)				
9850	Net income		$	0.41	$	0.49

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

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent										
		Share capital	Capital surplus		Retained earnings		Other equity interest					
	Notes	Common stock	Additional paid-in capital	Others	Legal reserve	Undistributed earnings	Exchange differences from translation of foreign operations	Unearned compensation for restricted employee share of stock	Treasury shares	Total	Non-controlling interest	Total equity
Year ended December 31, 2019												
Balance at January 1, 2019		$ 846,551	$ 166,782	$52,994	$ 70,549	$ 37,829	($ 1,763)	($ 7,214)	($ 16,376)	$ 1,149,352	$ 1,081	$ 1,150,433
Profit for the year		-	-	-	-	41,396	-	-	-	41,396	37	41,433
Other comprehensive income (loss) for the year		-	-	-	-	366	(13,496)	-	-	(13,130)	-	(13,130)
Total comprehensive income		-	-	-	-	41,762	(13,496)	-	-	28,266	37	28,303
Appropriation and distribution of 2018 earnings	6(16)											
Legal reserve		-	-	-	3,844	(3,844)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(33,256)	-	-	-	(33,256)	-	(33,256)
Cash dividends distributed from capital surplus	6(15)(16)	-	(33,256)	-	-	-	-	-	-	(33,256)	-	(33,256)
Restricted stocks to employees	6(13)(14)	-	5,355	(5,355)	-	-	-	4,983	-	4,983	-	4,983
Treasure share repurchased	6(14)	-	-	-	-	-	-	-	(11,739)	(11,739)	-	(11,739)
Balance at December 31, 2019		$ 846,551	$ 138,881	$47,639	$ 74,393	$ 42,491	($ 15,259)	($ 2,231)	($ 28,115)	$ 1,104,350	$ 1,118	$ 1,105,468
Year ended December 31, 2020												
Balance at January 1, 2020		$ 846,551	$ 138,881	$47,639	$ 74,393	$ 42,491	($ 15,259)	($ 2,231)	($ 28,115)	$ 1,104,350	$ 1,118	$ 1,105,468
Profit (loss) for the year		-	-	-	-	33,453	-	-	-	33,453	(17)	33,436
Other comprehensive loss for the year		-	-	-	-	234	(4,849)	-	-	(4,615)	-	(4,615)
Total comprehensive (loss) income		-	-	-	-	33,687	(4,849)	-	-	28,838	(17)	28,821
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiaries		-	-	-	-	(1,031)	-	-	-	(1,031)	-	(1,031)
Change of non-controlling interests		-	-	-	-	-	-	-	-	-	(1,101)	(1,101)
Appropriation and distribution of 2019 earnings	6(16)											
Legal reserve		-	-	-	4,176	(4,176)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(38,244)	-	-	-	(38,244)	-	(38,244)
Cash dividends distributed from capital surplus	6(15)(16)	-	(29,099)	-	-	-	-	-	-	(29,099)	-	(29,099)
Restricted stocks to employees	6(13)(14)	(230)	8,632	(8,925)	-	-	-	2,231	-	1,708	-	1,708
Treasure shares repurchased	6(14)	-	-	-	-	-	-	-	(22,736)	(22,736)	-	(22,736)
Balance at December 31, 2020		$ 846,321	$ 118,414	$38,714	$ 78,569	$ 32,727	($ 20,108)	$ -	($ 50,851)	$ 1,043,786	$ -	$ 1,043,786

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

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 37,560	$ 45,275
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including investment property and right-of-use assets)	6(5)(6)(8)	8,461	8,809
Amortisation	6(22)	3,179	3,644
Impairment on expected credit (losses) profits	6(3) and 12(2)	500	(100)
Deferred charges transferred to research and experimental expenses		2,081	-
Cost of restricted stocks to employees	6(13)(14)	1,938	4,983
Interest income	6(18)	(2,671)	(4,781)
Interest expense	6(21)	636	645
Net profit on financial assets at fair value through profit or loss	6(2)(20)	(6,973)	(11,315)
Gain on disposal of property, plant and equipment	6(20)	(6)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss- current		763	-
Notes receivable		(59)	64
Accounts receivable		(791)	8,022
Other receivables		(27)	332
Inventories		2,200	6,635
Prepayments		1,614	(4,408)
Other current assets		(54)	46
Financial assets at fair value through profit or loss- non-current		-	(932)
Changes in operating liabilities			
Current contract liabilities		37	57
Notes payable		(3,721)	1,257
Accounts payable		(2,529)	906
Other payables		(3,037)	(345)
Net defined benefit liabilities		175	(280)
Other current liabilities		(725)	2,422
Cash inflow generated from operations		38,551	60,936
Interest received		3,084	4,106
Interest paid		(636)	(645)
Income tax received		4,591	-
Income tax paid		(6,232)	(2,345)
Net cash flows from operating activities		39,358	62,052
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(5)	(10,949)	(42,202)
Proceeds from disposal of property, plant and equipment		846	-
Acquisition of investment property		(75)	-
Increase in intangible assets		(186)	(120)
Decrease (increase) in refundable deposits		72	(94)
Increase in other assets		(2,979)	(10,315)
Net cash flows used in investing activities		(13,271)	(52,731)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in guarantee deposits received		92	373
Payments of cash dividends	6(16)	(67,343)	(66,512)
Repayment of principal portion of lease liabilities	6(6)(26)	(1,537)	(1,522)
Acquisition of subsidiaries		(2,132)	-
Treasury shares repurchased	6(14)	(22,736)	(11,739)
Net cash flows used in financing activities		(93,656)	(79,400)
Effect of foreign exchange rate changes on cash and cash equivalents		(4,827)	(13,211)
Net decrease in cash and cash equivalents		(72,396)	(83,290)
Cash and cash equivalents at beginning of year		752,567	835,857
Cash and cash equivalents at end of year		$ 680,171	$ 752,567

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

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Davicom Semiconductor, Inc. (the "Company") was incorporated as a corporation under provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the research, development, production, manufacturing and sales of communications network ICs.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 26, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1)Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7 ,'Interest rate benchmark reform'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	June 1, 2020 (Note)

Note：Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2)Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group.

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3)IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment:proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets at fair value through profit or loss.

(b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs"), requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2020	December 31, 2019	Description
Davicom Semiconductor, Inc.	Medicom Corp.	Manufacturing and designing of IC	100.00	99.36	Note 1, 3
Davicom Semiconductor, Inc.	Davicom Investment Inc.	Manufacturing and designing of IC	100.00	100.00	
Davicom Semiconductor, Inc.	TSCC Inc.	Reinvestment business	100.00	100.00	
Davicom Semiconductor, Inc.	Aidialink Corp.	Wireless communication machinery and equipment manufacturing	100.00	88.50	Note 2, 3
TSCC Inc.	JUBILINK LIMITED	Reinvestment business	100.00	100.00	

Note 1: On June 10, 2020, Davicom Semiconductor, Inc. acquired an additional 0.64% of Medicom Corp.'s issued shares for cash. After the acquisition, Davicom Semiconductor, Inc. wholly owned Medicom Corp.

Note 2: On July 31, 2020, Davicom Semiconductor, Inc. acquired an additional 11.5% of Aidialink Corp.'s issued shares for cash. After the acquisition, Davicom Semiconductor, Inc. wholly owned Aidialink Corp.

Note 3: Davicom Semiconductor, Inc. has participated in the subsidiaries's cash capital increase in the third quarter of 2020.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions on fund remittance from subsidiaries to the parent company: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) <u>Cash equivalents</u>

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) <u>Financial assets at fair value through profit or loss</u>

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

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

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

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

B. The Group initially measures accounts and notes receivable at fair value and subsequently recognises the amortised interest income over the period of circulation using the effective interest method and the impairment loss. A gain or loss is recognised in profit or loss.

(9) Impairment of financial assets

The Group assesses at each balance sheet date including accounts receivable that have a significant financing, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from financial asset expire.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Investments accounted for using the equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes not do affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

G. When the Group disposes its investment in an associate, and losses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

H. When the Group disposes its investment in an associate, and losses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	5~50 years
Computer communications equipment	3 ~ 4 years
Transportation equipment	5 years
Other equipment	5 ~ 6 years

(14) Leasing arrangements (lessee)－right-of-use assets/lease liability

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(16) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial and subsequently amortises the interest expense in profit or loss over the period of circulation using the effective interest method.

(19) Employee benefit

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(20) <u>Employee share-based-payment</u>

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Group and the Group must refund their payments on the stocks, the Group recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(21) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

G. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(22) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the Company's equity holders.

(23) Dividends

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

(24) Revenue recognition

A. The Group manufactures and sells communications network ICs. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. When the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. No element of financing is deemed present as the sales are made with a credit term of 30 to 75 days, which is consistent with market practice.

C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(25) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group’s Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

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

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

(1) Critical judgements in applying the Group’s accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Evaluation of accounts receivable

When there is objective evidence showing signs of impairment, the Group considers future cash flow estimates. The amount of the impairment loss is measured by the difference between the carrying amount of the asset and the estimated future cash flow at the original effective interest rate of the financial asset. If the actual cash flow is less than expected, there may be significant impairment losses.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	$ 85	$ 62
Checking accounts and demand deposits	530,037	398,835
Time deposits	150,049	353,670
	$ 680,171	$ 752,567

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

B. The Group has no cash and cash equivalents pledged to others.

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

Items	December 31, 2020	December 31, 2019
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	$ 34,761	$ 34,761
Beneficiary certificates	29,000	29,000
Subtotal	63,761	63,761
Valuation adjustment	1,943	(4,267)
	$ 65,704	$ 59,494

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Years ended December 31,	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	$ 6,973	$ 11,315

B. As of December 31, 2020 and 2019, the Group has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	$ 59	$ -
Accounts receivable	$ 34,213	$ 33,422
Less: Allowance for uncollectible accounts	(1,601)	(1,101)
	$ 32,612	$ 32,321

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2020		December 31, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 33,509	$ 59	$ 32,025	$ -
Up to 30 days	704	-	1,396	-
31 to 90 days	-	-	1	-
	$ 34,213	$ 59	$ 33,422	$ -

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, accounts receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to $40,307.

C. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(4) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Work in progress	$ 15,606	($ 6,795)	$ 8,811
Finished goods	23,689	(7,176)	16,513
	$ 39,295	($ 13,971)	$ 25,324

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Work in process	$ 17,512	($ 6,809)	$ 10,703
Finished goods	23,983	(7,162)	16,821
	$ 41,495	($ 13,971)	$ 27,524

The cost of inventories recognised as expenses for the period:

	Years ended December 31,	
	2020	2019
Cost of goods sold	$ 76,765	$ 81,482

(5) Property, plant and equipment

	2020					
	Buildings and structures	Computer communications equipment	Transportation equipment	Construction in progress	Others	Total
At January 1						
Cost	$ 169,884	$ 857	$ 2,325	$ 41,939	$ 679	$ 215,684
Accumulated depreciation	(52,443)	(358)	(1,485)	-	(416)	(54,702)
	$ 117,441	$ 499	$ 840	$ 41,939	$ 263	$ 160,982
Opening net book amount as at January 1	$ 117,441	$ 499	$ 840	$ 41,939	$ 263	$ 160,982
Additions	85	239	-	10,485	140	10,949
Reclassifications	(639)	-	-	-	-	(639)
Disposals	-	-	(840)	-	-	(840)
Depreciation charge	(3,314)	(249)	-	-	(151)	(3,714)
Closing net book amount as at December 31	$ 113,573	$ 489	$ -	$ 52,424	$ 252	$ 166,738
At December 31						
Cost	$ 169,044	$ 1,096	$ -	$ 52,424	$ 570	$ 223,134
Accumulated depreciation	(55,471)	(607)	-	-	(318)	(56,396)
	$ 113,573	$ 489	$ -	$ 52,424	$ 252	$ 166,738

	2019					
	Buildings and structures	Computer communications equipment	Transportation equipment	Construction in progress	Others	Total
At January 1						
Cost	$ 170,034	$ 708	$ 2,325	$ -	$ 735	$ 173,802
Accumulated depreciation	(49,249)	(275)	(1,098)	-	(320)	(50,942)
	$ 120,785	$ 433	$ 1,227	$ -	$ 415	$ 122,860
Opening net book amount as at January 1	$ 120,785	$ 433	$ 1,227	$ -	$ 415	$ 122,860
Additions	-	239	-	41,939	24	42,202
Depreciation charge	(3,344)	(173)	(387)	-	(176)	(4,080)
Closing net book amount as at December 31	$ 117,441	$ 499	$ 840	$ 41,939	$ 263	$ 160,982
At December 31						
Cost	$ 169,884	$ 857	$ 2,325	$ 41,939	$ 679	$ 215,684
Accumulated depreciation	(52,443)	(358)	(1,485)	-	(416)	(54,702)
	$ 117,441	$ 499	$ 840	$ 41,939	$ 263	$ 160,982

(6) Leasing arrangements－lessee

A. The Group leases assets including land. Rental contracts are made for periods of 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land	$ 61,941	$ 63,750

	Years ended December 31,	
	2020	2019
	Depreciation charge	Depreciation charge
Land	$ 1,809	$ 1,809

C. The information on profit and loss accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2020	2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 602	$ 616
Expense on short-term lease contracts	$ 83	$ 189
Expense on leases of low-value assets	$ 97	$ 100

D. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were $2,319 and $2,427, respectively.

(7) Leasing arrangements – lessor

A. The Group leases assets including buildings. Rental contracts are typically made for periods of 1 and 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the years ended December 31, 2020 and 2019, the Group recognised rent income in the amounts of $24,865 and $18,065, respectively, based on the operating lease agreement, which do not include variable lease payments.

C. Gain arising from operating lease agreements for the years ended December 31, 2020 and 2019 are as follows:

	Years ended December 31,	
	2020	2019
Rent income	$ 24,865	$ 18,065

D. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2020	December 31, 2019
2020	$ -	$ 23,630
2021	24,188	17,545
2022	8,823	1,443
2023	5,719	-
	$ 38,730	$ 42,618

(8) Investment property

	Years ended December 31,	
	2020	2019
At January 1		
Cost	$ 148,907	$ 148,907
Accumulated depreciation	(45,967)	(43,047)
	$ 102,940	$ 105,860
Opening net book amount as at January 1	$ 102,940	$ 105,860
Additions	75	-
Reclassifications	639	-
Depreciation charge	(2,938)	(2,920)
Closing net book amount as at December 31	$ 100,716	$ 102,940
At December 31		
Cost	$ 149,907	$ 148,907
Accumulated depreciation	(49,191)	(45,967)
	$ 100,716	$ 102,940

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Years ended December 31,	
	2020	2019
Rental income from investment property	$ 24,865	$ 18,065
Direct operating expenses arising from the investment property that generated rental income during the period	($ 4,962)	($ 4,583)

B. The fair value of the investment property held by the Group as at December 31, 2020 and 2019 was $151,749 and $150,720, respectively, which was valued by independent valuers. Valuations were made using the cost approach and income approach for each approach which is categorised within Level 3 in the fair value hierarchy. Key assumptions are as follows:

	Overall capital interest rate	Ratio of salvage value
Cost approach	1.605%~1.835%	5.00%
		Capitalisation rate
Income approach		8.3%~8.35%

(9) Other non-current assets

	December 31, 2020	December 31, 2019
Deferred charges	$ 10,263	$ 12,366
Guarantee deposits paid	102	174
Restricted assets	2,752	2,752
	$ 13,117	$ 15,292

Details of the Group's financial assets pledged to others as collateral are provided in Note 8.

(10) Other payables

	December 31, 2020	December 31, 2019
Wages and bonus payable	$ 18,919	$ 20,444
Processing fees payable	2,761	2,966
Others	4,475	5,552
	$ 26,155	$ 28,962

(11) Other non-current liabilities

	December 31, 2020	December 31, 2019
Net defined benefit liability	$ 13,989	$ 14,107
Guarantee deposits received	3,395	3,303
	$ 17,384	$ 17,410

(12) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the

Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	($ 36,276)	($ 39,619)
Fair value of plan assets	22,287	25,512
Net defined benefit liability	($ 13,989)	($ 14,107)

(c) Movement in net defined benefit are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined liability
Year ended December 31, 2020			
Balance at January 1	($ 39,619)	$ 25,512	($ 14,107)
Current service cost	(101)	-	(101)
Interest (expense) income	(277)	179	(98)
	(39,997)	25,691	(14,306)
Remeasurements:			
Return on plant asset (excluding amounts included in interest income or expense)	-	844	844
Change in financial assumptions	(289)	-	(289)
Experience adjustments	(262)	-	(262)
	(551)	844	293
Pension fund contribution	-	24	24
Paid pension	4,272	(4,272)	-
Balance at December 31	($ 36,276)	$ 22,287	($ 13,989)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined liability
Year ended December 31, 2019			
Balance at January 1	($ 38,769)	$ 24,382	($ 14,387)
Current service cost	(101)	-	(101)
Interest (expense) income	(271)	170	(101)
	(39,141)	24,552	(14,589)
Remeasurements:			
Return on plant asset (excluding amounts included in interest income or expense)	-	936	936
Experience adjustments	(478)	-	(478)
	(478)	936	458
Pension fund contribution	-	24	24
Balance at December 31	($ 39,619)	$ 25,512	($ 14,107)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2020	2019
Discount rate	0.50%	0.70%
Future salary increases	2.00%	2.00%

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

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

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
December 31, 2020				
Effect on present value of defined benefit obligation	($ 714)	$ 741	$ 636	($ 619)
December 31, 2019				
Effect on present value of defined benefit obligation	($ 832)	$ 865	$ 751	($ 730)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to $171.

(g) As of December 31, 2020, the weighted average duration of the retirement plan is 2 years. The analysis of timing of the future pension payment was as follows:

Within 1 years	($ 24,095)
1-5year(s)	(10,741)
Over 5 years	(1,440)
	($ 36,276)

B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were $4,400 and $4,374, respectively.

(13) Share-based payment

A. For the years ended December 31, 2020 and 2019, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stock to employee	2017.09.29	1,400 (share in thousands)	3 years	1~3 years' service

B. The Board of Directors at their meeting on May 26, 2017 adopted a resolution to issue employee restricted ordinary shares for 2,000 thousand shares and granted 1,400 thousand shares on September 29, 2017. The record date for the capital increase through issuance of employee restricted ordinary shares was set on October 2, 2017 and the subscription price is $10 (in dollars) per share. From the day of grant, percentage of vesting are 20%, 30%, and 50%, respectively, in sequence from 1 to 3 years.

C. For the years ended December 31, 2020 and 2019, the compensation fees arising from restricted stocks to employees is $1,938 and $4,983, respectively.

(14) Share capital

A. As of December 31, 2020, the Company's authorized capital was $1,200,000, consisting of 120,000 thousand shares of ordinary stock (including 18,000 thousand shares reserved for employee stock options and 400 thousand shares reserved for convertible bonds issued by the Company), and the paid-in capital was $846,321 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2020	2019
At January 1	$ 84,655	$ 84,655
Retirement of restricted stock	(23)	-
At December 31	$ 84,632	$ 84,655

B. The shareholders' meeting on May 26, 2017 adopted a resolution to issue employee restricted ordinary shares for 2,000 thousand shares with the effective date set on August 8, 2017, granted 1,400 thousand shares on September 29, 2017 and the subscription price is $10 (in dollars) per share. The record date for capital increase of employee restricted ordinary shares was set on October 2, 2017. As at December 31, 2020, the receipts for share capital was $14,000 and the capital surplus was $17,850.

C. The Board of Directors at their meeting on August 10, 2020 adopted a resolution to reacquire 23 thousand employee restricted ordinary shares of non-vesting conditions amounting to 230 thousand dollars. The record date for capital decrease was set on August 21, 2020. Relevant regulator's approval has been obtained and related registration processes have been completed.

D. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2020	
Name of company holding the shares	Reason for reacquisition	Number of shares (share in thousands)	Carrying amount
The Company	To be reissued to employees	2,915	$ 50,851

		December 31, 2019	
Name of company holding the shares	Reason for reacquisition	Number of shares (share in thousands)	Carrying amount
The Company	To be reissued to employees	1,515	$ 28,115

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

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

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

(15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. On June 10, 2020 and June 12, 2019, the distribution of cash dividends from capital surplus was approved by the shareholders and amounted to $29,099 and $33,256, respectively. On February 26, 2021, the Bord of Directors proposed the distribution of cash of $35,138 from capital surplus.

(16) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings shall first be used to pay all taxes and offset prior years' operating losses and 10% of the remaining amount shall be set aside as legal reserve, then set aside or reverse special reserve in accordance with related regulations. The appropriation of the remainder along with the earnings in prior years shall be proposed by the Board of Directors and resolved at the stockholders' meeting. The Company shall appropriate all the current distributable earnings, taking into consideration the Company's financials, business and operations. Dividends to shareholders can be distributed in the form of cash or shares and cash dividends to shareholders shall account for at least 30% of the total dividends to shareholders.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriation of 2019 and 2018 earnings was resolved by the shareholders on June 10, 2020 and June 12, 2019, respectively. Details are as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 4,176		$ 3,844	
Cash dividends	38,244	$ 0.46	33,256	$ 0.40

On June 10, 2020 and June 12, 2019, the distribution of cash dividends from capital surplus was approved by the shareholders and amounted to $29,099 and $33,256, respectively. The abovementioned appropriation of earnings of 2019 and 2018 was in agreement with those amounts proposed by the Board of Directors on February 27, 2020 and March 11, 2019, respectively.

E. The details of the appropriation of 2020 earnings was proposed by the Board of Directors on February 26, 2021. Details are follows:

	Year ended December 31, 2020			
			Dividends per share	
	Amount		(in dollars)	
Legal reserve	$	3,369		
Cash dividends		30,235	$	0.37

(17) Operating revenue

	Years ended December 31,			
	2020		2019	
Revenue from contracts with customers	$	233,542	$	242,531

Disaggregation of revenue from contracts with customers.

The Group derives revenue at a point in time in the following geographical regions:

	Years ended December 31,			
	2020		2019	
China	$	162,966	$	160,470
Taiwan		30,006		31,925
USA		4,037		4,771
Other		36,533		45,365
	$	233,542	$	242,531

(18) Interest income

	Years ended December 31,			
	2020		2019	
Interest income from bank deposits	$	2,638	$	4,753
Other interest income		33		28
	$	2,671	$	4,781

(19) Other income

	Years ended December 31,			
	2020		2019	
Rent income	$	24,865	$	18,065
Dividend income		783		-
Other income, others		558		968
	$	26,206	$	19,033

(20) Other gains and losses

	Years ended December 31, 2020	Years ended December 31, 2019
Net currency exchange losses	($ 12,930)	($ 5,114)
Gains on disposal of investment	-	10,302
Net profit on financial assets at fair value through profit or loss	6,973	11,315
Gains on disposal of property, plant and equipment	6	-
Other losses	(4,963)	(4,583)
	($ 10,914)	$ 11,920

(21) Finance costs

	Years ended December 31, 2020	Years ended December 31, 2019
Interest expense	$ 636	$ 645

(22) Expenses by nature

	Years ended December 31, 2020	Years ended December 31, 2019
Changes in finished goods, work-in-process and raw materials inventory	$ 39,479	$ 41,028
Employee benefit expense	105,001	115,991
Depreciation charges on property, plant and equipment (including right-of-use assets)	5,523	5,889
Amortisation charges	3,179	3,644
Product testing fees	20,288	22,488
Other costs and expenses	39,839	43,305
Operating costs and expenses	$ 213,309	$ 232,345

(23) Employee benefit expense

	Years ended December 31, 2020	Years ended December 31, 2019
Wages and salaries	$ 88,113	$ 98,994
Labour and health insurance fees	7,479	7,552
Pension costs	4,599	4,576
Directors' remuneration	1,845	1,807
Other personnel expenses	2,965	3,062
	$ 105,001	$ 115,991

A. According to the Articles of Incorporation of the Company, a ratio of gain on current pre-tax profit before deduction of employees' compensation and directors' remuneration, after covering accumulated losses , shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 8.5% for employees' compensation and shall not be higher than 2% for directors' remuneration. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. Directors' remuneration shall be distributed in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive employees' compensation in the form of stock or cash are set by the Board of Directors.

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$3,569 and \$4,308, respectively; directors' and supervisors' remuneration was accrued at \$838 and \$1,010, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 8.5% and 2% of distributable profit of current year as of the end of reporting period.

Employees' compensation and directors' and supervisors' remuneration of 2020 as resolved by the meeting of the Board of Directors were in agreement with those amounts recognised in the 20120financial statements.

Information about employees' bonus and directors' and supervisors' remuneration of the Company as approved by the meeting of Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the period	$ 4,321	$ 4,497
Additional income tax imposed on unappropriated earnings	-	36
Prior year income tax underestimation	413	534
Total current tax	4,734	5,067
Deferred tax:		
Origination and reversal of temporary differences	(610)	(1,225)
Income tax expense	$ 4,124	$ 3,842

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

	Years ended December 31,	
	2020	2019
Remeasurement of defined benefit obligations	($ 59)	($ 92)

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and satutory tax rate	$ 6,733	$ 9,281
Effects from items disallowed by tax regulation	(2,086)	(1,207)
Effects from temporary difference	662	(3,061)
Effects from tax credits of investment	(1,598)	(1,787)
Additional tax on undistributed earnings	-	36
Prior year income tax underestimation	413	534
Others	-	46
Income tax expense	$ 4,124	$ 3,842

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
-Temporary Differences:	$ 814	$ -	$ -	$ 814
Inventory retirement losses	2,794	-	-	2,794
Loss for market value decline and obsolete and slow-moving inventories	1,030	519	-	1,549
Unrealised exchange loss	1,375	56	-	1,431
Unused compensated absences	2,581	34	(59)	2,556
Subtotal	$ 8,594	$ 609	($ 59)	$ 9,144
Deferred tax liabilities:				
-Temporary Differences:				
Currency temporary differences	($ 512)	$ -	$ -	($ 512)
Unrealised exchange gain	(1)	1	-	-
Subtotal	($ 513)	$ 1	$ -	($ 512)
	$ 8,081	$ 610	($ 59)	$ 8,632

	Year ended December 31, 2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
-Temporary Differences:	$ 814	$ -	$ -	$ 814
Inventory retirement losses	2,794	-	-	2,794
Loss for market value decline and obsolete and slow-moving inventories	-	1,030	-	1,030
Unrealised exchange loss	1,252	123	-	1,375
Unused compensated absences	2,713	(40)	(92)	2,581
Subtotal	$ 7,573	$ 1,113	($ 92)	$ 8,594
Deferred tax liabilities:				
-Temporary Differences:				
Currency temporary differences	($ 602)	$ 90	$ -	($ 512)
Unrealised exchange gain	(23)	22	-	(1)
Subtotal	($ 625)	$ 112	$ -	($ 513)
	$ 6,948	$ 1,225	($ 92)	$ 8,081

D. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(25) Earnings per share

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 33,453	82,032	$ 0.41
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 33,453	82,032	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	178	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 33,453	82,210	$ 0.41

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 41,936	83,190	$ 0.50
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 41,936	83,190	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	488	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 41,936	83,678	$ 0.49

(26) Changes in liabilities from financing activities

	Year ended December 31, 2020		
	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	$ 64,037	$ 3,303	$ 67,340
Changes in cash flow from financing activities	(1,537)	92	(1,445)
At December 31	$ 62,500	$ 3,395	$ 65,895

	Year ended December 31, 2019		
	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	$ 65,559	$ 2,930	$ 68,489
Changes in cash flow from financing activities	(1,522)	373	(1,149)
At December 31	$ 64,037	$ 3,303	$ 67,340

7. RELATED PARTY TRANSACTIONS

Key management compensation

	Years ended December 31	
	2020	2019
Salaries and other short-term employee benefits	$ 10,259	$ 10,108

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value December 31, 2020	Book value December 31, 2019	Purpose
Time deposits(shown as other non-current assets)	$ 2,752	$ 2,752	Performance guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2020	December 31, 2019
Financial assets		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 65,704	$ 59,494
Financial assets at amortized cost		
Cash and cash equivalents	$ 680,171	$ 752,567
Notes receivable	59	-
Accounts receivable	32,612	32,321
Other accounts receivable	499	5,490
Guarantee deposits paid	156	174
Other non-current assets	2,752	2,752
	$ 716,249	$ 793,304
Financial liabilities		
Financial liabilities at amortized cost		
Notes payable	$ 2,223	$ 5,944
Accounts payable	4,892	7,421
Other accounts payable	26,155	28,962
Guarantee deposits received	3,395	3,303
	$ 36,665	$ 45,630
Lease liability	$ 62,886	$ 64,037

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(b) Risk management is carried out by a treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The management provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 14,049	28.48	$ 400,116	1%	$ 4,001	$ -
RMB:NTD	14	4.38	61	1%	1	-
HKD:NTD	2,326	3.67	8,536	1%	85	-
Financial liabilities						
Monetary items						
USD:NTD	$ 170	28.48	$ 4,842	1%	$ 48	$ -

	December 31, 2019					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 7,991	29.98	$ 239,570	1%	$ 2,396	$ -
RMB:NTD	2,073	4.31	8,935	1%	89	-
HKD:NTD	2,325	3.85	8,951	1%	90	-
Financial liabilities						
Monetary items						
USD:NTD	$ 152	29.98	$ 4,557	1%	$ 46	$ -

ii. The total exchange loss including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to ($12,930) and ($5,114), respectively.

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, for the years ended December 31, 2020 and 2019, other components of equity would have increased/decreased by $657 and $595, respectively.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independent rated parties with a minimum rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external rating in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.

iii. The Group adopts assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

iv. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the simplified approach to estimate expected credit loss under the provision matrix basis.

v. The Group used the forecast ability of Taiwan Institute of Economic Research report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2020 and 2019, the provision matrix are as follows:

December 31, 2020	Group A	Group B	Total
Expected loss rate	0.03%	4.09%~4.14%	
Total book value	$ 24,486	$ 9,727	$ 34,213
Loss allowance	$ 7	$ 1,594	$ 1,601

December 31, 2019	Group A	Group B	Total
Expected loss rate	0.03%	3.63%~83.86%	
Total book value	$ 23,081	$ 10,341	$ 33,422
Loss allowance	$ 7	$ 1,094	$ 1,101

vi. Movement in relation to the group applying the simplified approach to provide loss allowance for accounts receivable is as follows:

	Years ended December 31, 2020	Years ended December 31, 2019
At January 1	$ 1,101	$ 1,201
Provision for impairment	500	-
Reversal of impairment loss	-	(100)
At December 31	$ 1,601	$ 1,101

According to the above method, the allowance loss on the account as of December 31, 2020 and 2019, should be $410 and $601, respectively, which is not significantly different from the amount of allowance loss on the current account. For the years ended December 31, 2020 and 2019, there was no impairment loss arising from customers' contracts.

(c) Liquidity risk

i Cash flow forecasting is performed by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

ii. Surplus cash held by the operating entities over and above balance required for working capital management will be invested in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Except for notes payable, accounts payable and other payables, the amount of undiscounted contractual cash flows is approximately at its carrying amount and is due within one year. The amount of undiscounted contractual cash flows of the remaining financial liabilities is as follows:

Non-derivative financial liabilities: December 31, 2020	Less than 1 year	Between 1 and 2	Between 2 and 5 years	Over 5 years
Lease liability	$ 2,138	$ 2,138	$ 6,415	$ 62,551
Other financial liabilities (shown as other non-current liabilities)	1,583	900	912	-

Non-derivative financial liabilities: December 31, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Lease liability	$ 2,138	$ 2,138	$ 6,415	$ 64,689
Other financial liabilities (shown as other non-current liabilities)	838	48	2,417	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(8).

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

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

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 26,436	$ -	$ 39,268	$ 65,704

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 28,942	$ -	$ 30,552	$ 59,494

(b) The methods and assumptions the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Emerging stocks
Market quoted price	Closing price	Last transaction price

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	Years ended December 31,			
	2020		2019	
	Non-derivative equity instrument		Non-derivative equity instrument	
At January 1	$	30,552	$	27,088
Losses recognised in profit or loss				
Recorded as non-operating income and expenses		8,716		3,464
At December 31	$	39,268	$	30,552

F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

G. Finance department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020		Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	$	39,268	Net asset value	Not applicable	-	Not applicable

	Fair value at December 31, 2019		Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	$	30,552	Net asset value	Not applicable	-	Not applicable

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 2.

(3) Major shareholders information

Major shareholders information: Please refer to table 3.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry and is mainly engaged in distribution of communications Network ICs or related services. The Chief Operating Decision-Maker who allocates resources and assesses performance of the Group as a whole has identified that the Group has only one reportable operating segment.

(2) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	Years ended December 31,	
	2020	2019
Revenue from external customers	$ 233,542	$ 242,531
Depreciation and amortisation (including investment property, right-of-use assets)	11,640	12,453
Income tax expense	4,124	3,842
Reportable segments income	33,436	41,433
Assets of reportable segments	1,160,407	1,234,889
Capital expenditure in non-current assets of reportable segments	11,210	42,322
Liabilities of reportable segments	116,621	129,421

(3) Reconciliation for segment income (loss)

The revenue from external customers, profit or loss, assets and liabilities reported to the Chief Operating Decision-Maker is measured in manner consistent with that financial statements. Thus, reconciliation is not required.

(4) Information on products and services

Details of revenue is as follows:

	Years ended December 31,	
	2020	2019
Sales revenue	$ 227,741	$ 238,388
Service revenue	5,801	4,143
	$ 233,542	$ 242,531

(5) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	Years ended December 31,			
	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
China	$ 162,966	$ -	$ 160,470	$ -
Taiwan	30,006	342,603	31,925	343,048
USD	4,037	-	4,771	-
Others	36,533	-	45,365	-
	$ 233,542	$ 342,603	$ 242,531	$ 343,048

(6) Major customer information

For the years ended December 31, 2020 and 2019, details of the Group's sale revenue from customers accounted for more than 10% of sales amounts in the consolidated statements of comprehensive income are as follows:

	Years ended December 31,			
	2020		2019	
	Revenue	%	Revenue	%
C	$ 65,947	28	$ 64,627	27
A	35,656	15	38,414	16
B	32,988	14	36,000	15
	$ 134,591	57	$ 139,041	58