Richwave Technology Corp. And Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

RICHWAVE TECHONOLOGY CORP.

By

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Ma-Dye-Jyun
Chairman

February 25, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Richwave Technology Corp.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition

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

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

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

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2021

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

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

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

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

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

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

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

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share, in New Taiwan Dollars)

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

(Continued)

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share, in New Taiwan Dollars)

	2020		2019	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (Note 24)				
Basic	$ 13.82		$ 3.13	
Diluted	$ 13.67		$ 3.04	

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

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

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

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

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

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

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

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

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RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

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

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

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

   1) Amendments to IFRS 3 "Definition of a Business"

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

   2) Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

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

3) Amendments to IAS 1 and IAS 8 "Definition of Material"

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

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

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

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

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

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for and asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period,

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to rescheduled payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized to issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

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

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

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

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

e. Foreign currencies

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

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

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

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

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

f. Inventories

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

g. Property, plant and equipment

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

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

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Investments in equity instruments at FVTOCI

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

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Provisions

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

l. Revenue recognition

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

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

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

m. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

n. Borrowing costs

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Other long-term employee benefits

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

4) Termination benefits

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

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

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

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

q. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical Accounting Judgments

a. Lease terms

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

Key Sources of Estimation Uncertainty

a. Lessees' incremental borrowing rates

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

6. CASH AND CASH EQUIVALENTS

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

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

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

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

8. FINANCIAL ASSETS AT AMORTIZED COST

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

a. The interest rates of restricted time deposits with original maturities of more than 1 year were approximately 0.76% and 1.015% per annum as of December 31, 2020 and 2019, respectively.

b. Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

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

Accounts receivable at amortized cost

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

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

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

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

December 31, 2020

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

December 31, 2019

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

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

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

10. INVENTORIES

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

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

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

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

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

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

Remark:

1) In December 2018, the Company established Minerva Technology Co. in Belize with an investment of USD550 thousand, and reinvested in and established AEGIS LINK CORP. in USA with USD550 thousand in January 2019.

2) Minerva Technology Co. and AEGIS LINK CORP. were recognized based on audited financial statements.

12. PROPERTY, PLANT AND EQUIPMENT

	Testing Equipment	Computer Equipment	Other Equipment	Total
Cost				
Balance at January 1, 2019	$ 65,884	$ 10,931	$ 65,157	$ 141,972
Additions	23,676	2,730	30,894	57,300
Transfers from prepayments	483	-	826	1,309
Disposals	(3,338)	(3,716)	(21,454)	(28,508)
Balance at December 31, 2019	$ 86,705	$ 9,945	$ 75,423	$ 172,073
Accumulated deprecation				
Balance at January 1, 2019	$ 17,601	$ 5,815	$ 32,795	$ 56,211
Depreciation expense	11,422	2,698	21,138	35,258
Disposals	(3,338)	(3,716)	(21,454)	(28,508)
Balance at December 31, 2019	$ 25,685	$ 4,797	$ 32,479	$ 62,961
Carrying amount at December 31, 2019	$ 61,020	$ 5,148	$ 42,944	$ 109,112
Cost				
Balance at January 1, 2020	$ 86,705	$ 9,945	$ 75,423	$ 172,073
Additions	26,813	6,091	29,875	62,779
Transfers from prepayments	2,006	-	-	2,006
Disposals	(5,428)	(2,966)	(22,435)	(30,829)
Balance at December 31, 2020	$ 110,096	$ 13,070	$ 82,863	$ 206,029
Accumulated deprecation				
Balance at January 1, 20209	$ 25,685	$ 4,797	$ 32,479	$ 62,961
Depreciation expense	15,774	2,671	26,681	45,126
Disposals	(5,428)	(2,966)	(22,435)	(30,829)
Balance at December 31, 2020	$ 36,031	$ 4,502	$ 36,725	$ 77,258
Carrying amount at December 31, 2020	$ 74,065	$ 8,568	$ 46,138	$ 128,771

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

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amount		
Buildings	$ 33,002	$ 32,657

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ 24,621	$ 14,677
Depreciation charge for right-of-use assets		
Buildings	$ 24,276	$ 22,246
Income from the subleasing of right-of-use assets (presented in other income)	$ (641)	$ (495)

b. Lease liabilities

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

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	1.50%	1.50%

c. Material leasing activities and terms

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

d. Other lease information

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

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

14. OTHER INTANGIBLE ASSETS

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

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

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

15. OTHER ASSETS

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

16. SHORT-TERM BORROWINGS

	December 31	
	2020	2019
Unsecured borrowings		
Line of credit borrowings	$ -	$ 59,960

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

17. ACCOUNTS PAYABLE

	December 31	
	2020	2019
Accounts payable		
Generated from operating activities	$ 969,310	$ 643,353

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

18. OTHER LIABILITIES

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

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

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

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

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

Movements in net defined benefit assets were as follows:

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

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

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

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

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

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

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

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

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

20. EQUITY

a. Ordinary shares

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

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

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

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

b. Capital collected in advance

	December 31 2020	December 31 2019
Capital collected in advance	$ -	$ 730

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

c. Capital surplus

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

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

d. Retained earnings and dividends policy

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

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

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

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

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

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

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

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

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

e. Special reserve

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

f. Other equity items

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

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

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

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

21. REVENUE

a. Contract revenue from customers

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

b. Contract information

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

c. Contract balances

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

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

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

d. Disaggregation of revenue

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

22. NET PROFIT

a. Interest income

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

b. Other income

	For the Year Ended December 31	
	2020	2019
Others	$ 3,089	$ 506

c. Other gains and losses

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

d. Finance costs

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

e. Depreciation and amortization

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

f. Employee benefits expense

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

(Continued)

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

(Concluded)

g. Compensation of employees and remuneration of directors

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

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

Accrual rate

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

Amount

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

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

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

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

h. Gain or loss on foreign currency exchange

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

23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

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

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

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

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

b. Income tax recognized in other comprehensive income

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

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax liabilities		
Income tax payable	$ 141,236	$ 28,569

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

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

For the year ended December 31, 2019

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

e. Income tax assessments

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

24. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	$ 13.82	$ 3.13
Diluted earnings per share	$ 13.67	$ 3.04

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

Net Profit for the Year

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

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

25. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan

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

Information on outstanding employee share options is as follows:

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

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

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

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

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

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

26. CAPITAL MANAGEMENT

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

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

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

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

27. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Listed shares	$ 11	$ -	$ -	$ 11

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

c. Categories of financial instruments

	December 31	
	2020	**2019**
Financial assets		
Financial assets at amortized cost (1)	$ 2,140,315	$ 1,571,608
Financial assets at FVTOCI	-	11
Financial liabilities		
Amortized cost (2)	1,204,387	838,770

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, accounts receivable, other receivables, financial assets at amortized cost and refundable deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, accounts payable, accrued compensation of employees and remuneration of directors, other payables, and guarantee deposits.

d. Financial risk management objectives and policies

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

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

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

1) Market risk

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

a) Foreign currency risk

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

Sensitivity analysis

The Group was mainly exposed to the USD.

The following table details the Group's sensitivity to a 2% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rale used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 2%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges and adjusts their translation at the end of the year for a 2% change in foreign currency rates. A positive (negative) number below indicates an increase in pre-tax profit associated with New Taiwan dollar strengthening (weakening) 2% against the relevant currency.

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

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

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

b) Interest rate risk

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

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

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

Sensitivity analysis

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

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

2) Credit risk

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

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

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

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

3) Liquidity risk

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

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

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

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

December 31, 2020

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

Additional information about the maturity analysis for lease liabilities

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

December 31, 2019

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

Additional information about the maturity analysis for lease liabilities

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

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

b) Financing facilities

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

28. TRANSACTIONS WITH RELATED PARTIES

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

a. Remuneration of key management personnel

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

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

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

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant commitments

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

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2020

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

December 31, 2019

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

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

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

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

1) Financing provided to others: None

2) Endorsements/guarantees provided: None

3) Marketable securities held (excluding investments in subsidiaries, associates, and joint ventures): None

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

5) Acquisitions of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

9) Trading in derivative instruments: None

10) Intercompany relationships and significant intercompany transactions: None

11) Information on investees (Table 1)

b. Information on investees: Table 1

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: None

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year

c) The amount of property transactions and the amount of the resultant gains or losses

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes

e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None

33. SEGMENT INFORMATION

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

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

b. Geographical information:

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

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

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

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

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

Note 1: Revenue from Wifi products.

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

TABLE 1

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

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

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